Exporting from LDCs: an exploratory study on the impact of product type and destination of exports on buyer-seller relationships

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EXPORTING FROM LDCs: AN EXPLORATORY STUDY ON THE IMPACT OF PRODUCT TYPE AND DESTINATION OF EXPORTS ON BUYER-SELLER RELATIONSHIPS

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Summary

Exporting is seen by economists and management theorists as one of the major ways in which developing nations can improve their financial performance. Yet there have been very few studies in the field of marketing on exporting from the developing world. The unique problems faced by exporters in the third world and the critical nature of product and market diversification in the case of these nations make studies on exporting from LDCs necessary. This study was an attempt to fill this gap in the literature.

A model of exporting was developed to enable the researcher to examine buyer-seller relationships in the context of developing nation based exporters. Two major contextual variables - i.e., nature of the product (Industrial Vs. Consumer) and the destination of exports (to developed Vs developing nations) and their impact on buyer-seller relationships were examined in detail. The relationship between conflict and success was also examined.

Data was collected from 58 exporters from India through personal interviews. Of the seven hypotheses put forward in the study, three were supported by the data to varying degrees. The study found that there were differences between industrial and consumer goods

exporters from LDCs. The destination of exports was found to have a lesser degree of influence on the buyer-seller relationships examined in this study. The negative correlation between success and conflict found in previous research was also found to hold true in the case of these LDC exporters. The relationship between distance between the parties and information/social exchanges between them was found to be more complex in nature than hypothesized by previous researchers. Implications of the results for researchers, managers and public policy makers are also presented.

Acknowledgements

A study of this nature can hardly be completed without the cooperation and assistance of many individuals. A list of names of those who have aided the researcher in this study would be too long to be included here. However, I would like to thank the heads of all the export development agencies in India who provided invaluable assistance in locating and contacting individual firms during this study. Special thanks are also due to the managers who participated in this study. Without their help, this study could never have been completed.

I would also like to thank Professor David Ford for his insightful comments during this study. His critiques of the initial drafts of this dissertation aided considerably in improving this work.

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CHAPTER 1

INTRODUCTION

1.0: INTRODUCTION

Reducing the economic disparities between the developed nations of the North and the developing nations of the South is seen by many as being the greatest social challenge of our time (Brandt, 1980). This is due, at least in part, to the realization that there is a growing interdependence among the nations of this world. In the past few decades, the international system has become more complicated and much more interdependent. The developed nations have come to understand that they cannot continue to prosper unless there is greater progress in the South.

The issue today is not only - or even mainly- one of aid; it is about changes in the world economy to help the developing countries pay their own way. It is about economic development in the third world. While developmental economists disagree on how economic development can be achieved, there seems to be considerable agreement among them that international trade plays a significant role in it. For example, international trade has been described as being at

least "the hand maiden of growth" if not the "engine of growth" by various economists (Kravis, 1970).

The recognition of the key role played by world trade in a country's economic progress has led to increased attention being paid to exporting by academics and public policy makers. There seems to be a general consensus among developmental economists that the developing nations need not only to increase their exports but also to diversify their international trade - both in terms of the type of products exported and the destinations of their exports.

The studies by scholars in international business and developmental economics on LDC exports have been primarily from a macro economic perspective. A brief look at the export marketing literature - where the focus has been at a micro economic or firm level- indicates that the researchers have paid very little attention to exporting from LDCs.* Most of the studies have been carried out using industrial purchasers and sellers from developed nations as samples.

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*Through out this study, the terms "Less Developed Countries" (or LDCs), "developing nations" (or countries), "the third world" and "the South" will be used interchangeably while referring to the less developed nations of this world. The terms "Developed Countries" (or DCs), "the North" and "industrialized nations" will be used to refer to the rest of the world.

This study attempts to fill the above gap in the export marketing literature by examining the relationships between LDC exporters and their buyers. More specifically, it investigates the relationships between exporters from one developing country (India) and their buyers from the perspective of the sellers. The primary emphasis here is on examining the impact of two variables - the nature of the product being exported and the destination of the exports - on the relationships between LDC exporters and their buyers (from the seller's perspective).

As will be discussed later, diversifying the product and the destination of exports are two critical issues facing LDC exporters. It is felt that understanding the impact of these variables on various aspects of the relationship (e.g., conflict, adaptations required) would enable LDC exporters to develop more satisfying and successful dealings with their buyers.

As already stated, the present study will focus on the sellers and their perceptions only. While the researcher recognizes the importance of examining both sides of the relationship in studies on export marketing, the special focus of this study and the constraints on the researcher made it necessary to limit the study to the exporters. The decision to examine the

impact of the destination of the exports (or the buyer's nationality) on buyer-seller relationships in the context of a developing country necessitates having a good distribution of exporters selling to developed and developing nations. Thus, unlike previous studies in the area, the present study could not be limited to exporters who sell to one country (or, at the most, a few countries). The other objective - studying the impact of product type on buyer-seller relationships - would also increase the dispersion of the buyers for quite often, nations which bought consumer products from India did not buy many industrial products from it. The reverse is also equally true. For example, India exports a considerable amount of industrial products (such as buses, automotive parts, etc.) to other developing countries but does not export many consumer products to them. The above factors made it difficult to limit the study to exporters who sold to say, one developing/developed nation. Given the constraints on the researcher, it would have been impossible to collect data from more than two countries.

There were other practical constraints which made the examination of the buyers very difficult in this study. There were no lists of sellers based on the destination of the exports or the product exported.

Thus, it would have been necessary to get the information regarding the buyer directly from the exporters themselves. Initial field surveys had indicated that Indian exporters are very reluctant to provide details about the buyers - especially names and addresses. Insisting on such information or limiting the study to firms that were willing to provide such information, would have further reduced the sample size and, perhaps, made it less representative.

It should also be noted that while the study is limited to exporters from a developing country, it does incorporate the key variables identified by previous researchers who have focussed on both sides of the relationship. Thus the present study also views export marketing as more than the manipulation of the marketing mix variables and examines the relationship between the parties - albeit from just the seller's perspective. While this does differentiate this study from others in the field, this may not be a major drawback given the objectives of the study. Previous research in the field indicates that often it is the perceptions about the other party (rather than the actual characteristics of the buyer) that is important. It has also been found that buyers and sellers differ in their perceptions of each other and the relationship (Ford and Djeflat, 1984). As the sellers

would be basing their strategy on their perceptions of the buyer and the relationship, it is felt that this study can provide useful insights into how sellers formulate their strategy and attempt to influence the relationship with their buyers.

1.1:OBJECTIVES OF THE STUDY

The overall objective of this study is to examine some aspects of the relationship between LDC exporters and their buyers, and the role played by the product type and destination of the exports* on such relationships. Specifically, the first research objective is to develop a model for studying the relationship between LDC sellers and their buyers. While many models of export behaviour do exist, these were developed to study exporting in general, especially from the perspective of developed nations. The existing models do not either incorporate or emphasize the impact of these two variables on export marketing. Hence it is felt that a new model of buyer-seller relationships in export markets is required for this study.

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*The terms "destination of exports", "importer's (or buyer's) country", "importer's (or buyer's) nationality" and "importing country" will be used to indicate the country to which the products are exported.

Secondly, the study aims to examine the impact of the type of product being exported on the relationship between developing country based exporters and their buyers. Issues such as distance, conflict, cooperation and power in such relationships will be examined. As developing countries are currently more interested in increasing their trade in manufactured goods, the emphasis here will be primarily on different types of manufactured and semi-manufactured goods.

The third objective of this study is to examine how the buyer's nationality influences the relationship between LDC exporters and their purchasers. For this purpose, exporters who sell to developed and developing countries will be studied and issues such as conflict, distance, power and adaptations in these relationships will be examined.

Finally, the study will also attempt to study the outcomes of the relationships and the resulting satisfaction or dissatisfaction with it. Previous research has indicated that variables such as the level of conflict between the parties influence their satisfaction with the relationship. This study will attempt to re-examine such findings in the context of LDC exporters and their buyers.

considered if we are to aid individual firms in LDCs in their export efforts.

There is some evidence to show that at a firm level, strategies have to be modified depending on the type of product exported. For instance, previous research indicates that different channel strategies may be required for success while exporting consumer products as opposed to industrial products (Bilkey, 1982), and even when exporting different types of industrial products (Johanson & Vahlne, 1985). Changes in other aspects of the marketing mix such as the support given to dealers may also be beneficial when changes in the nature of the product exported occur (Bilkey, 1982).

It is also felt that given the complexities of international trade, its long term nature and the business-to-business marketing that is prevalent in it, overall relationship management activities (as opposed to marketing mix manipulations alone) become more critical to a firm's survival as an exporter. Importers cannot be seen as passive buyers in such relationships nor can exporters be considered to be autonomous actors. This is probably even more true in the case of LDC exporters as their buyers are often very active participants and hold considerable power over them, especially in the initial stages of the

1.2: ORIGINS OF THE STUDY

1.2.1: Importance of Product/Market Diversification

As noted earlier, the need for such a study came from an examination of the literature on exporting from LDCs. The developmental economics literature is replete with studies showing the deterioration in the terms of trade of LDCs (see, for example, Glazekos, 1973; Spraos, 1983). The concentration of the developing nations on primary products exports has been pointed out as one of their major problems. As will be discussed in the next chapter, primary products face low income elasticity and are subject to strong fluctuations in supply. Further, they do not have the same multiplier effects that manufactured exports have and hence do not aid to the same extent in improving the employment and income levels of LDCs.

The realization that manufactured exports are critical to their developmental plans led to serious efforts on the part of LDC governments to achieve this. However, their efforts have not been very successful so far. Many reasons have been provided for this failure - e.g., lack of infrastructure, poorly trained manpower and lack of economies of scale. While these are valid issues, it is felt that there are micro or firm level issues that have also to be

relationship (Wortzel & Wortzel,1981). Further more, the lack of experience of LDC exporters of nontraditional products and the negative stereotypes that buyers have of them (Krishnakumar, 1974; Wang, 1978) are likely to add to the difficulties that these exporters face in their relationships with buyers. There is also some evidence that relationship aspects such as adaptations made, complexity, dependence among the parties and relationship intensity may vary depending on the product being exported.

Given the above findings, studying the relationship patterns of LDC exporters of different product types may be of academic and practical importance at this time. This led to one of the major objectives of this study - i.e., examining the impact of product type on export marketing and the relationships between LDC suppliers and their buyers.

Similarly, a look at the developmental economics literature shows the importance to LDCs of diversifying their markets. Traditionally, LDCs have depended on developed nations and their demand for primary goods for most of their trade. Inter-LDC trade is only a small portion of the total trade of developing nations (Sundrum, 1983). However, it appears that this dependence on DCs creates certain problems for LDCs. For example, during periods of slow economic

development in the DCs, LDC growth suffers even more as the demand for their products in DCs decreases (Maizels, 1963). There are some economists who feel that increasing south-south trade is the only way LDCs can break their dependence on developed countries (Agarwala, 1978; Kuada, 1979; Lewis, 1980). Once again, dealing with buyers from developed nations is likely to be a very different experience from dealing with developing country based purchasers. Research in the field indicates that the nature of the importing country does affect buyer-seller relationships (Bilkey, 1982; Johanson & Vahlne, 1985). Thus it was felt that given the importance of relationship management in international trade, studying the relationships of LDC exporters who sell to developed versus developing nations would be beneficial.

1.2.2: Lack of research in the Area

While exporting has received considerable attention in the last few decades, there are certain areas of exporting that have not been dealt with by previous researchers. Specifically, firm level research is scarce in the following areas:

(a) Exporting from LDCs: To the author's knowledge, very few researchers have looked at exporting from

LDCs at the firm level. Most of the studies in export marketing have looked at sellers in developed nations.

(b) The marketing of different types of products: Past researchers have concentrated on the exporting of industrial products and have looked at international trade in raw materials, semi-finished or component goods and capital goods. Very few researchers have looked at industrial and consumer products and examined the issues in international trade in these products.

(c) Marketing to Developed and Developing Countries: Once again, the emphasis has been on marketing from developed countries to other developed nations or from developed countries to LDCs. To this researcher's knowledge, no study has been conducted on differences in interaction patterns when the buyer is from a developing as opposed to a developed country.

The present study is an attempt to fill these gaps in the literature. Being one of the first studies to explore some of the above areas, it is hoped that this study will at least raise some issues regarding the export marketing activities of LDC firms.

1.2.3: Personal Dimension

The researcher is originally from a developing country - i.e., India. Thus the researcher is familiar with the efforts of at least one LDC at improving its international trade and the somewhat mixed results the country has faced in its endeavors. The researcher is also aware of the unique problems that Indian exporters face and the critical role that exports can play in a nation's economic development. These factors, over a period, led to an interest in the field of exporting from developing nations.

The researcher's previous research also triggered off an interest in export marketing of LDCs. The researcher has been involved in research on cross cultural issues in marketing, marketing practices in the third world in general and on marketing in India (Das, 1981; Das & Das, 1984; Das & Das, 1988). Past research studies by this researcher had indicated that Canadian consumers hold strong, negative stereotypes about products made in India. Specifically, while Canadian consumers were willing to buy "traditional" Indian export items like fabrics, handicrafts, leather goods, etc., they were very reluctant to buy "complex" consumer products from India (Das, 1981). This led to the examination of the industrial marketing literature to see if the same bias existed among industrial purcha-

sers. This was found to be partly true (for example, see White & Cundiff, 1978; White, 1979; Hakansson & Wootz, 1975). This, coupled with the finding that LDCs have to diversify their exports both in terms of products and destinations led to an interest in understanding how these variables would affect the relationship between LDC exporters and their buyers.

Besides the researcher's personal interest, other considerations also led to the choice of India as the developing country to be studied. It produces a wide range of products - both industrial and consumer and simple and complex goods. For example, India produces simple handcrafted items, textiles, garments, automotive parts, electrical and electronic goods and even satellites! Many developing countries do not have such a wide range in their production capabilities. Secondly, India is one of the largest developing countries and holds a relatively important place among LDCs. Thirdly, the country has recently moved from a policy of import substitution to one of export promotion and is actively trying to improve its export potential. Finally, as persons involved in cross cultural research may be aware, knowledge of the local scene and culture greatly facilitates data collection in foreign nations. This is probably more true in the case of developing nations. Managers in these nations

tend to be somewhat suspicious of researchers from other nations who come to collect data from their firms. In addition, these differences in social and organizational values also can pose difficulties for the novice researcher working in a developing nation. This researcher's familiarity with Indian values and culture, knowledge of Indian organizations, contacts in the industry and fluency in three Indian languages were all considered to be major advantages while conducting such a study.

1.3: VALUE OF THE STUDY:

The unique features of the present study - i.e., the concentration on LDC exports, the examination of effects of product type and destination of the exports on buyer-seller relationships - can make it interesting and useful to academicians and practioners in various fields. For example, it is hoped that this study would provide useful information to Indian exporters interested in diversifying their export markets. It may also provide information to government officers in India who are attempting to increase the exports of manufactured, "non-traditional" products from the country as it will identify the differences in the exporting of such products when compared to India's traditional exports.

The study may also be of interest to academicians involved in the field of export marketing and international business as it places a different perspective on the export marketing activities of firms. As such, it can add to the body of knowledge already existing in these fields.

1.4: ORGANIZATION OF THE STUDY

Having explained the nature, objectives and origins of this study, the next step would be to look at the relevant literature. This has been divided into two chapters. Chapter 2 looks at developmental economics and international business literature and provides a brief discussion on the special problems and issues facing LDC exporters and the importance to these nations of diversifying the product and market mix of their exports. It is felt that this will provide the necessary background to better understand the relevance of this study. Chapter 2 will also summarize the studies that have been conducted specifically on LDCs in various fields.

Chapter 3 looks at export marketing and channels of distribution literature and draws upon them to develop a model for the present study. The model itself and the hypotheses to be tested are presented in chapter 4.

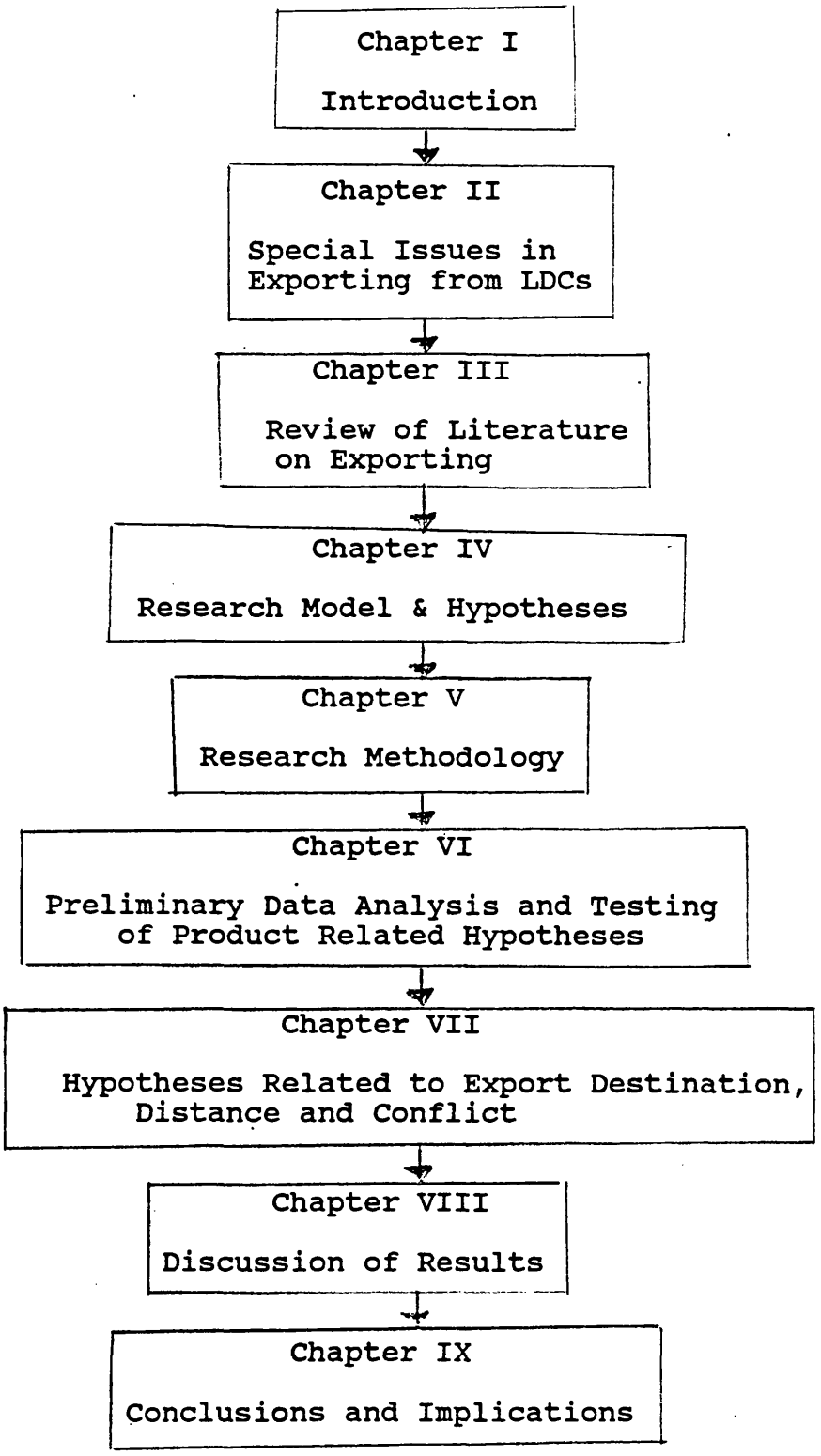
Chapter 5 discusses the research methodology employed in this study including details of the research design, questionnaire development and testing done during the study.

Initial examination of the data collected and the results of the tests conducted to examine the product related hypotheses (i.e., hypotheses 1 to 3) are presented in chapter 6. Chapter 7 deals with the findings related to the buyer's nationality and the other general hypotheses in the study.

The results presented in chapters 6 and 7 are discussed in detail in chapter 8. Along with this, this chapter also presents overall profiles of exporters based on product exported, destination of exports and success/failure of the relationship. The final chapter looks at the implications of the present study for managers, public policy makers and other researchers form the concluding section of this chapter. Figure 1.1 presents a summary of the organization of the study.

Figure 1.1

Organization of the Study



CHAPTER II

EXPORTING FROM DEVELOPING COUNTRIES - SPECIAL ISSUES AND PROBLEMS

II.0 INTRODUCTION

Developing countries have been attempting for the past few decades to improve their economic conditions and raise the standard of living of their people. International trade has often been cited as an important means of achieving the developmental goals of these nations. In the first half of this chapter, the crucial role played by exports in the economic development of developing countries, and the special issues and problems that they face while attempting to increase their exports will be discussed. As the focus of this study is on export marketing, only a brief discussion of relevant economic principles will be attempted. The second part of the chapter will cover studies carried out in the fields of international business and export marketing on exporting from developing countries. Relevant research done by developmental economists on exporting from developing countries will also be summarized in this chapter.

So far, the term "developing countries" has been used without actually defining it. In order to define what developing countries (or LDCs) are, one must look

at the concept of development. There is, unfortunately, a great deal of controversy over this concept. The discussion has centered on whether development is mainly an economic concept, and if so, which economic aspects are to be used in its measurement. The economic criteria most often used to measure development are monetary indicators of economic growth such as per capita income, changes in GNP, etc. However, as Sundrum (1983) notes:

> "One should differentiate between economic growth and development. Economic growth is concerned with changes in the output of goods and services valued at certain prices; it is therefore measured by a monetary index, such as national income. Development on the other hand, is concerned with attitudes and abilities of people, as influenced by education, access to infrastructure, the nature of institutions, for which there are no monetary measurements" (p. 78)

The present trend is to define development as something more than economic growth. For example, economic development has been defined as "the pervasiveness of modern economic behaviour and the ability of people to absorb modern technology (Sundrum, 1983, p. 78), or as "growth plus change" (Meier, 1984, p.6) or the "proportion of people employed in modern occupations" (Boserup, 1978, p. 178). As Kindleberger (1965) so well stated:

> "Development goes beyond (growth) to imply changes in the structure of outputs and in the allocation of inputs by sectors. By analogy with the human being....growth involves focusing on height or weight while....development draws attention to the change in functional capacity -in physical coordination, for example, or learning capacity" (p.130)

While there is controversy on what constitutes development, there is less disagreement on which countries should be classified as less developed. For example, the Report of the Independent Commission on International Development Issues (Brandt, 1980) defines developed countries as countries north of the equator plus Australia and New Zealand with the rest of the world belonging to the developing countries category (Brandt, 1980). The United Nations Secretariat refers to them as "developing market economies" which are the countries that are left after the "developed market economies" and the "centrally planned economies" are taken out. According to this definition, any country other than the United States, Canada, Australia, New Zealand, Japan, China, the Soviet Union, Europe (East and West), Soviet Asia, and South Africa is a developing country. Sundrum (1983) classifies all of Europe (except Turkey), Canada, the United States, Argentina, Chile,Uruguay, Israel, South Africa, Japan, Australia, New Zealand and the central-

ly planned economies of the Eastern Bloc as developed countries with the others forming the LDC group.

All these definitions indicate major areas of agreement with only certain countries being treated nonuniformly by the various scholars. Countries that are treated nonuniformly include Cuba, Israel, Yugoslavia, Greece, Turkey, Argentina, Portugal, Singapore, Spain, Hongkong, Korea (Rep) and Taiwan. Most of these countries are classified as Newly Industrializing Countries (or NICs) and are treated by many authors as falling somewhere in between the developed and the developing nations. (See for example, OECD's Development Cooperation, 1982 Report).

In this study, LDCs are defined as the group of nations that are left after the developed market economies, the centrally planned economies and the newly industrializing economies are taken out. Thus LDCs are the nations in Asia (except Singapore, Taiwan, Hong Kong, Korea (Rep) and Japan), Africa (except South Africa), and all of America (except Canada and the United States).

At this point, a note of caution is perhaps called for. While the developing or Third world is a group of countries with many common interests and problems, there exists a wide variety of experiences, interests and stakes among them. For example, dif-

ferences in per capita income among third world nations are significant. As Kinsey (1988) notes, grouping all developing countries together is less relevant today as they range from the primitive, stagnant economies to the rapidly developing ones which may be considered to be "newly industrializing" or even "developed" in the near future. Hence many researchers today subdivide the developing world further based on per capita income or stage of development. Any study on single developing country should thus be cautious in making recommendations or extending the results to other LDCs.

II.1: EXPORTS, ECONOMIC DEVELOPMENT AND LDCS

II.1.1: Importance of Exports to LDCs

Economists and public policy makers have long pondered over the issue of why certain nations in the world are slower to develop than others. Economic development is a complex issue and is affected by many economic and noneconomic factors. The major economic factors include rate of saving, inflow of capital, process of import substitution and expansion of exports. While there is disagreement among economists about the role played by exports in the economic development of a country, most experts in the field do

agree that exports are a key factor in it. Classical and Neoclassical economists viewed foreign trade as a propelling force in development. Adam Smith (1837), for example, considered exports to be a "vent for surplus" which encourages a nation to "improve its productive powers....augment its annual produce to the utmost and thereby increase the real revenue and wealth of the society" (p. 415).

More recently, the "Staple" theorists postulated that the expansion of a resource based export commodity caused by a rise in demand induces higher rates of growth and per capita income, lowers the levels of under or unemployment and increases the domestic saving and investment rates. These are seen to be the results of supply responses within the economy that increase the productivity of the exporting economy (for further details, please see G.M. Meier, 1984). Other economists (e.g., Corden, 1971) have also commented on the positive effects of trade - both directly through international specialization and indirectly due to its support of a country's development through a number of spread effects within the domestic economy.

While, as mentioned above, exports are crucial to any nation's economic development, their importance to LDCs is even greater for the following reasons:

1. High dependence on imports: LDCs are often plagued with imbalances in their patterns of domestic production and demand. They produce only a few primary products but demand a huge variety of manufactured goods. Over a period of years, their rate of consumption increases due to increases in population and income. All of the above leads to a higher dependence on imports which require foreign exchange. This can only be provided by exports.

2. More frequent fluctuations in balance of payments: In many LDCs, the agricultural and natural resources sectors account for a high proportion of their national products. Set backs in agriculture are very common in these countries and this leads to sudden upward swings in the imports of essential food articles (Jain, 1984). There is also a tendency for the prices of primary products to fluctuate more than those of manufactured foods. This, again, makes for more dramatic swings in the trade balances of these countries. A stable, well-developed export sector is required to counteract these trends.

3. Need for export expansion to fuel growth: Earlier it was mentioned that LDCs have a higher dependence on

imports due to rises in incomes and consumption rates. It should also be noted that LDCs in general, require imports to exploit the growth potential of their fledgling industries. They need to import machinery, raw materials are other inputs to fuel their growth. For example, in India, during the second Five Year Plan (1956-57 to 1960-61), the import requirements for new capital goods industries outran the earnings available from stagnant export sectors. This led to a bottleneck in its plans for growth (Findlay, 1973).

Being late comers to the area of industrialization, LDCs have trouble obtaining the imports they require for rapid growth. Often, the need in these countries is for specific additional imports. While an increase in the exports of their primary products is also required, such countries will only be able to exploit their growth activities in certain sectors by

> "being able to sell a portion of the output of these same activities. Only then will the spurt in imports caused by their growth patterns be systematically offset by spurts in exports." (Hirschman, 1960, p. 172).

Thus, exports in general and the expansion of the exports of some special sectors are required for fuelling the growth of the economies of LDCs.

4. High impact of export instability on growth: Lack of export stability as mentioned above, aggravates the foreign exchange situations of LDCs and their ability to input the necessary equipment for their growth. But there is evidence to show that exports and their stability is important to LDCs in another way. Export instability seems to have a negative effect on the real per capita income growth of LDCs and accounted for about one fourth of the observed variation in the income growth rates of the LDCs in a study (Glazekos, 1973). Export instability also affects the growth of exports (which, in turn, is an important factor in economic growth) and this relationship is significant only in the case of LDCs (Glazekos, 1973). Thus, exports and stability in exports is more critical for LDCs than the developed nations.

5. Need for improving the quality of outputs: Many LDCs had adopted import substitution as a method of development. This has, in turn, led to a highly protected environment for most firms. These firms have had little competition from within the country and none from outside. They had very little incentive to be innovative or develop good quality products. When such companies are forced to face international competition, the quality of their domestic products are

likely to improve. Thus, encouraging firms to export and making them come into contact with international competition can have beneficial effects on their efficiency and the quality of their outputs (Wolf, 1982). As John Stuart Mill (1848) said over a century ago:

> "a country which produces for a larger market than its own, can introduce a more extended division of labour, make greater use of machinery and is more likely to make inventions and improvements in the processes of production"

6. Need for economies of scale: Exporting can increase the effective market size and can lead to economies of scale. Economies of scale, in turn, lower the cost of the product to the domestic market. A vast majority of the LDCs are small. Even in those that have large populations (e.g., India), the effective market for many items is limited to the upper income groups which form only a small proportion of these countries (MacBean and Balasubramanyan, 1976).

7. Acquisition of new skills: Exporting encourages the acquisition of new skills, ideas and attitudes. Thus, when LDCs enter the export market for new manufacturers, the gains to them are significant. Over a period this can lead to the gaining of a comparative advantage in skill intensive and technology goods.

Taiwan, Korea, and Hong Kong are examples of countries that have achieved this status successfully.

To summarize, exports play a strategic role in the economic development of LDCs. They provide valuable foreign exchange required for buying necessities like food, they provide LDCs with an opportunity to buy the machinery and factors required to maintain (and increase) their rate of development; they aid in reducing the frequent fluctuations in balance of payments and finally, they can help in improving the quality of the outputs of most LDCs. (Tables 2.1 to 2.3 provide some details of exports of developing and developed nations).

II.1.2. Steps taken by LDCs to Increase Exports

The increased awareness among LDCs that export expansion is essential for their growth has led to various actions on the part of these countries. Many LDCs have included export expansion as an explicit objective in their plans and programs. These nations have adopted one or more of the following instruments for export promotion (Luis, 1982).

(1) Fiscal instruments: These attempt to compensate for the effects of the tax system on export goods and

at times provide a net subsidy to some export items. Included in this category are tax rebating mechanisms, tax exemptions or exemption of import duties for inputs, etc.

(2) Financial and credit mechanisms: Short or medium term credit to exporters either through private banks or directly through government agencies.

(3) Institutional and technical support: Creation of international trade institutions that provide market information, trade fair assistance, technical assistance, etc. (e.g., Export Promotion councils for various product categories in India).

(4) Exchange rate policies: Perhaps the single most important instrument, this involves active or passive use of the exchange rate system to maintain an adequate return for exporters.

Most LDCs have used these instruments to change the composition of their exports as well as the total quantity of exports. AS Spraos (1983) notes, developing countries are intensely dissatisfied with the traditional patterns of trade and specialization whereby they specialize in exporting primary commodi-

ties in return for manufactured imports from the developed countries. This has, in practice, meant that LDCs have chosen certain industries to concentrate on and provide increased assistance through any of the above mentioned instruments.

In addition to the above, governments in LDCs are also attempting to improve the infrastructure (such as transportation) required for exports. Other measures like the development of a skilled work force, efficient allocation of financial, physical and human resources, etc. are also part of the efforts to improve export performance.

II.1.3 Problems faced by LDCs in the export market

In spite of their continued efforts to increase their exports, most LDCs have only been partially successful in their goals. While the terms of trade improved significantly since 1962, LDCs as a whole have failed to expand their exports during the sixties as fast as the world average (Banerji, 1976). This trend continued in the seventies with the share of total world exports accounted for by the non-oil producing LDCs declining while the share of mutual trade between the developed nations increased (Steedman, 1978). Table 2.1 provides details of the export performance of LDCs and DCs in the last few decades.

The increases that are seen in non-industrialized country exports are primarily due to successes of a few countries like Singapore, Hong Kong, Korea, etc.- the NICs or newly industrializing countries. To look at some of the problems faced by LDCs in the export market will enable us to understand the unique issues confronting exporters from their nations. These can be broadly classified into two categories -problems related to governmental policies and infrastructure and problems that are market related. The second category includes problems from both the demand and the supply sides of exporting.

II.1.3.A. Governmental and Infrastructural Problems:

The problems discussed under this section relate primarily to governmental policies and infrastructural difficulties that LDC exporters face.

(i) Governmental policies regarding exports: In many LDCs, the extent of government intervention in industry is very high. Governments in LDCs, for example, select industries that are to be provided with incentives for exporting, introduce import restrictions on imports in certain industries, and control the exchange rates of their currencies. An added feature of governmental policy in many LDCs is the basic insta-

bility of policies. Policies, such as export promotion programs, tend to be introduced or discontinued with very little warning. For example, in India, following the devaluation of the rupee in 1966, the government abolished the existing export incentives. However, they were re-introduced after a short while and measures to promote the growth of nontraditional manufactured exports were revived in a few months (Nayyar, 1976). Such drastic changes in policy make exporting less attractive and discourage businesses from actively seeking export markets.

(ii) Lack of governmental export promotion: Most LDCs require a high amount of export promotion to back their export activities and depend on the government to provide some of it. However, governments in these countries are either unable or unwilling to provide the needed degree of export promotion. Export promotion efforts began fairly late in most LDCs. For example, in Latin America, export promotion started only in the mid-1960s and serious efforts to increase exports were made by the governments of these countries only later (Colaiacovo, 1982). Morawitz (1981) reports in a survey that government export promotion agencies were considered to be the least effective sources of market information for exporters in Taiwan.

Thus, even when the governments in these countries do attempt to carry out export promotion activities, they are not very effective.

(iii) Ineffective bureaucracies: The high degree of government intervention in business, combined with the ineffective nature of governmental bureaucracies in most LDCs pose a major problem to exporters. Added to this is the fact that corruption is widely prevalent in the government bureaucracies of these countries. Exporters in LDCs are often required to bribe customs officials, government quality control inspectors, and other officials to get an order through. Morawitz (1981) provides an interesting example of corruption in Colombia where a company lost a client due to its refusal to bribe customs officials. It took the company 11/2 months to get the components for production of clothes out of customs and when they finally got the items, some were missing!

In India, the government introduced duty drawbacks, i.e., refund of indirect taxes payable by exporters, in the 1960s. In theory, this should have provided exporters with the necessary compensation and hence increased the attractiveness of exporting. However, as Nayyar (1976) points out, the rules and regulations laid down to administer these incentives

led to delays and uncertainties. Exporters found it extremely difficult to qualify for refunds of duties and this reduced their incentive to venture into exports.

(iv) Problems of Infrastructure: Even with the most effective export promotion measures, the exports of LDCs are restricted due to the absence of adequate infrastructural facilities in these countries. These range from inadequacies in transportation systems to the absence of suitable intermediaries for trade. As Colaiacovo (1982) states, whatever infrastructure facilities were present in these countries were suitable primarily for the export of basic raw materials as these were the only products exported from LDCs until the 1960s. Changes in infrastructure requires strong government actions and are difficult to achieve. These factors severely inhibit the exporters in developing nations. For example, the exports of iron ore from India would have been significantly higher had it not been for infrastructure problems like inadequate port and shipping facilities (Nayyar, 1976).

II.1.3.B. Market Related Problems: The first set of market-related problems faced by LDCs can be categori-

zed as supply related problems or problems that LDC exporters face in producing for exporting.

(i) Pressures of domestic demand: In many countries in the developing world, the domestic market is large and it is easier to cater to this market than to export. For example, Nayyar (1976) found that "rising domestic demand, coupled with the higher relative probability of the home market, preempted the export of many products". (p. 342) This rising domestic demand in LDCs is attributable to the rapid growth in population and the high income elasticity of demand for many exportable products. These, combined with the slow growth in the output of these products, made the supply for export markets very low.

(ii) Problems of Economic Capacity: Many LDCs find it difficult to compete in foreign markets due to lack of economies of scale. As Kinsey (1988) notes, markets in developing countries tend to be fragmenting and this also leads to a reduction in the size of production units and the level of specialization. The production capacity and internal efficiencies of firms in LDCs are so low that they cannot compete in foreign markets. As an Indian exporter of automobile parts says, "we cannot enter the U.S. market because we

simply cannot produce the quantities that they expect."

(iii) Financial problems: Firms in developing countries lack the finances to develop export marketing programs, finance additional capacity, buy raw materials, etc. for export purposes. The firms in LDCs, even some of the larger ones, are small by international standards and hence lack the financial strength to enter and succeed in the export market.

(iv) Lack of Trained Managers: A high amount of managerial skill is needed to develop and implement an export strategy. Exporting is a specialized activity and the general shortage of trained manpower in developing countries makes it even more difficult for them to acquire the necessary management skills. Marketing skills that are extremely important for success in international markets are also lacking in many LDCs. As Kinsey (1988) notes, if the term "marketer" were taken to mean a person who fully understands and applies marketing concepts, then very few indigenous marketers would be found in developing countries!

There is also the issue of lack of managerial motivation to export which is prevalent especially among smaller, family owned businesses which are com-

mon in LDCs. As Kinsey (1988) states the indigenous marketers - or national/ethnic firms outside the public sector - tends to have limited horizons are rarely concerned with national or international markets. The above author also notes that in general, such marketers tend to have a somewhat negative outlook towards modern business practices. (For a detailed analysis of supply side problems discussed here, see Colaiacovo, 1982).

Any analysis of the problems faced by LDCs in exporting has to include the difficulties firms in LDCs have in increasing the demand for their products. These are given below:

(i) Market Restrictions: Both non-tariff and tariff restrictions are common in international trade. Non-tariff restrictions such as quotas, compensatory duties, dumping duties, are becoming more popular. While many developed countries have offered special tariff concessions under the Generalized System of Preferences, these may be lifted or changed at any time. GATT negotiations have reduced the uncertainty of application of non-tariff restrictions considerably. Yet, there are still market restrictions in the developed world which the LDCs find more difficult to overcome than other developed countries.

(ii) Bias against LDC products: The country of origin of a product has been found to have a strong influence on consumer decision making. For example, in a recent study, Min Han and Terpstra (1988) found that sourcing country stimuli to be more powerful than brand name on consumer evaluations of products. This makes it harder for LDC exporters for, as mentioned in Chapter 1, exporters from LDCs often find that there is a bias against their products in developed (and, at times, developing) nations. The country of origin of a product is often a major variable in the choice of a supplier. This is true in the case of both consumer and industrial products. For example, Hakansson and Wootz (1975) in a study on industrial purchasing, found that country of origin was a key factor in the choice of a supplier and explained almost 50% of the variance in the responses. Similar results were found by Yavas, Cavusgil and Tuncalp (1987) in a study of Saudi Arabian importers.

As Nayyar (1976) states, there seems to be "a natural hesitation about the quality of industrial products from developing countries." (p. 211) Other studies have also shown that a systematic bias against products from LDCs exists in the developed world (for more details, see Bilkey & Nes, 1982).

An interesting fact is that LDCs themselves are prejudiced against products from other LDCs. Nayyar (1976), for example, points out the case of an Indian exporter who exported his agricultural implements to East Africa as "Made in Germany" as it was difficult to export with a "Made in India" sticker. (The firm had an insignificant amount of assembly done in West Germany to make this label legal). The firm changed its practice only after a few years after the quality of its brand became generally accepted.

The bias against LDC products, especially engineering goods, is not surprising given the earlier experiences of many developed (and developing) country importers. Quality control in many LDC firms is not adequate and it is likely that in economies where secure home markets were the focus of production, sufficient attention was not paid to design and quality improvements. This may have led to the current negative feelings about LDC products. Thus, even in cases where the quality (and other factors) of a LDC firm's offering are acceptable, the prevailing bias against products from LDCs makes it extremely difficult for it to find buyers for its products.

(iii) Product Adaptation Requirements: Studies in international business have stressed the importance of

product adaptation to serve the needs of overseas buyers. Ashton (1961), for example, states that a major problem is that many firms have inadequate information for product adaptation and hence are not very successful in international markets. Sorenson (1966) differentiates between "fundamental" and "minor" product adaptations. Fundamental product adaptations, according to him, are changes in the basic product, while minor changes are changes in size, package design, etc. Most studies in this area have, however, concentrated on product adaptations necessary for exporters from developed nations when entering the LDC market. Thus, Baranson (1967) looked at product adaptation needs of diesel engine manufacturers from the U.S. to India while Cartaino, as early as in 1942, looked at adapting aircraft for developing countries (Cartaino, 1942). Others have found that product adaptations are necessary to successfully compete in the international market for both consumer and industrial products (Terpstra, 1967, Kacker, 1972).

Product adaptation, especially major ones, are expensive and time consuming. Even large, multinational firms find it difficult to adapt their products to the needs of other nations. Kacker (1972), for example, found that exporters from the United States attempted only minimal alterations in their

product design while trying to gain entry into the Indian market. Thus, when one takes into consideration the limited funds and R&D facilities, it is not difficult to see why in most LDCs adapting a product to meet the needs of an importer poses an even more severe problem. As Keegan (1969) states, to most of these exporters, "the often-repeated exhortation that in international marketing a company should always adapt its product. .....is clearly superficial" (p. 80) as it does not take into account the cost of such adaptations which are great. This often leads exporters from LDCs to limit their exports to neighboring culturally and technologically similar countries which may require only minor product adaptations. For example, the Engineering Export Council in India found that exporters went into oversees markets (such as Sri Lanka, Burma, etc.) which needed minimal product adaptations and ruled out other major export markets.

(iv) Lack of market knowledge: Many firms in the developing world are exporters not because they tried to market their products actively, but because their products were sought by importers. These firms often never try to expand their markets as they are not aware of the export opportunities that exist. Such

market information is expensive to gather and often beyond the means of many LDC firms.

v) Lack of Access to Distribution Channels: As Porter (1980) states, one of the major impediments to globalization is the lack of access of newcomers to established channels of distribution. This is more likely to be a problem for LDC based firms especially when they attempt to enter the international trade of nontraditional manufactured products.

It can be seen from the above discussion that LDC countries face many, and often unique, problems when trying to export their products. Thus, there is a need to study the exporting activities of LDC firms as the issues and problems that they face are different from those confronting firms in the developed world. Also, as pointed out earlier, increasing exports is even more crucial to the economic development of these nations. In the next section, the importance of changing the composition of LDC exports and export markets beyond the traditional ones will be discussed.

II.1.4 Need to Change the Product Mix of LDC Exports

The current product mix of LDC exports is heavily biased in favour of primary exports. While the LDCs' share of manufactured exports has increased considera-

bly during the last two decades, most LDCs are still very dependent on the export of primary product for their foreign exchange earnings.

This concentration on primary product exports has been traditionally explained using the Comparative Advantage Theory. This theory is based on the usual neo-classical assumptions of maximizing behaviour, efficient, markets equilibrium conditions and absence of trade restrictions. Simply stated, the comparative advantage theory states that a region will export products which fetch a higher price in other regions and import products which are cheaper in other regions. Such trade will go on until price differences are eliminated. Thus LDCs which are labour-abundant and capital-scarce countries where the cost of labour intensive primary products is lower will export these products to DCs. The DCs will, in turn, export manufactures which are assumed to be capital intensive to LDCs. The assumptions underlying Comparative Advantage Theory have, however, been questioned by many writers (see for example, Samuelson, 1971 & 1973, Mainwaring, 1974).

Another reason for this specialization in primary products by LDCs is that in these countries the labour cost per unit of primary products is lower than that of nontraditional manufactures. Regardless of the

reason for their specialization in primary products, many theorists have argued that LDCs should move away from their dependence on primary product exports. Several reasons for this have been offered:

(i) Unfavorable price structure of primary products: Many LDC exports in the primary products sector are faced with unfavorable pricing in international markets. Colonialization, control of the market by multi-nationals in LDCs, fluctuations in demand for primary products, price inelastic nature of demand and highly competitive markets have all been said to account for this unfavorable price structure of LDC exports. Regardless of the cause, deterioration in the terms of trade (i.e., the world market exchange ratio) of LDC exports has been cited as the root cause of many of the developmental problems that these nations face (see, for example, Prebisch, 1950; Singer, 1950; Lewis, 1978 and Spraos, 1980). It is also interesting to note that improvements in productivity of primary products by LDCs will not be of benefit to them. As Hicks (1953) pointed out, technical progress will worsen a country's terms of trade if it occurs in the exportable commodity. FIndlay and Grubert (1959) and Lewis (1978) also support the view that technological progress in the production of primary products by LDCs will not improve their terms of trade. (Tables

2.2 and 2.3 provide details of LDC terms of trade and purchasing power).

Price enhancement, or at the least, price stabilization is often suggested as a solution to the above problem. Cartels, as in the case of oil, the establishment of an international regulatory machinery such as the one proposed at UNCTAD IV or long term bilateral arrangements with the eastern bloc countries would be possible means to achieve price enhancement of primary products. However, price enhancement requires reduction in output with accompanying increases in unemployment which may be counterproductive (Spraos, 1983). Further more, as Glezakos (1973) found, for more than 50% of the LDCs that he studied, fluctuations in prices and quantities did not tend to offset each other but were reinforcing. Thus, the efforts of LDCs toward price stabilization may not yield the desired result of stabilizing or increasing their foreign exchange earnings.

(ii) Fluctuations in foreign exchange earnings: Prices of primary products are more unstable than those of industrial products and this creates dramatic shifts in the foreign exchange earnings of most LDCs. As Ellworth (1961) notes, "the prices of primary products rise more rapidly than industrial prices in the

upswing, but also they fall more in the downswing." (p. 129) This has another negative effect - it widens the gap between the prices of primary and industrial products even further and creates more problems for LDCs.

(iii) Instability of trade in primary products: The world demand for primary products which forms the backbone of most LDC exports has fluctuated considerably and in general, has lagged behind the growth rate of manufactured exports. Reasons for the relative lag in primary products include economies in their use and the development of synthetic substitutes. The instability in export volume of primary products is due in part to supply fluctuations. For example, agricultural product exports of LDCs have been subject to variations in supply due to weather conditions. However, fluctuations in demand for these primary products among the DCs has been a major factor. As Maizels (1963) pointed out, the shift in patterns of demand and technological developments in the DCs are likely to continue and adversely affect the exports of primary products. The linkage or dependence of primary product exports on economic growth in DCs makes the resultant growth in LDCs an unself-sustaining one. It also leads to prolonged depression when

the growth of industrial countries slackens as in the 1930s.

(iv) Lower income growth capacities of primary exports: It is generally assumed that the rapid growth of the export sector in any country will yield significant results as far as the economic growth of that country is concerned. However, as Glezakos (1973) states, the degree to which export expansion will lead to economic growth depends on the nature of the export sector of a country. "Since the export of LDCs consist mainly of primary products with limited backward and forward linkage effects, a given growth rate of exports would not result in economic growth of the same magnitude as in the DCs." (p. 139) (Table 2.4 provides details of the growth rate of LDC exports).

(v) Lower employment potential of primary product exports: Related to the above is the higher ability of the manufacturing sector to create jobs. Thus, an increase in manufactured exports is likely to lead to higher employment than an equivalent increase in primary exports.

(vi) Lower indirect effects of primary product exports: Some of the major benefits of international trade are the indirect ones such as its ability to induce innovations, its educative effects in instilling new wants and tastes and in transferring technology and skills (Meier, 1975). These effects occur when LDCs come into contact with firms in DCs. Competing in the export of manufactured products would provide the LDC firms with these benefits and they would be forced to develop new skills to maintain their market share. Such indirect benefits are less likely to accrue when exporting primary products.

Increasing their share of nontraditional, manufactured products is, of course, an extremely difficult job for LDCs. As Porter (1985) notes, global competition is more common in these industries and competing in these competitive markets requires the development of 'upstreaming' capabilities. In other words, LDC firms have to gain competitive advantages that are transferrable across countries. These include developing production advantages and improving the inbound logistics in a firm - advantages that are difficult for LDC firms to acquire. This becomes critical in the export of low technology industrial products which many LDCs like India are attempting to export. As Porter (1986) notes, inbound logistics and operations

account for nearly 70% of operating costs and gaining advantages in these activities is essential for survival - especially in global markets.

To summarize, LDCs cannot continue with exporting primary products alone. As Spraos (1983) states, "there is a specific market failure hanging around the neck of traditional exportables (of LDCs) characterized by price-inelastic demand, south dominated production and largely export destined output." (p. 16) Increasing the quantity of traditional exports leads to decreased prices; on the other hand, decreasing the quantity (and increasing the price) leads to increased unemployment and perhaps lower overall foreign excha nge earnings. Dependence on primary exports tends to increase the shifts in foreign exchange earnings, lowers growth in employment and income and reduces the skill development in LDCs. Thus, LDCs need to expand their exports beyond the primary products sector and into manufactured exports.

II.1.5 Need to Diversify the Market Composition of LDC Exports

Most LDCs earn the bulk of their foreign exchange through primary exports to developed economies (see Table 2.5). Recently, many developmental economists have focussed on the benefits of increasing trade

among LDC. Lewis (1980) for example, considers trade as the principle link through which the developed control the growth rate of the LDCs. Furthermore, he adds that the rate of growth of industrial production in developed countries has been higher than that of exports. Due to this link between the growth rates of DCs and LDCs, when the growth rate of DCs falls, the LDC growth rate will be affected even more as the terms of trade would move against them. Other researchers have advocated increases in South-South trade due to its implications of independence from DCs, delinking of DCs and LDCs and promotion of collective self reliance among LDCs. Increasing South-South trade is thus seen as a solution for LDCs as it can take up the slack left by DCs as their growth rates slow down.

For example, Kuada (1979) considers the development and export of products suitable to other LDCs to be a more effective way for LDCs to achieve economic growth. Even among researchers in LDCs, there is a feeling that increasing trade between LDCs might be more desirable than increases in North-South trade. Agarwala (1978), for example, considers the low volume, intermediate technology products (which are also less capital intensive and more employment oriented) that LDCs like India are capable of producing to be

more suitable for exporting to other LDCs. There is also the opinion that collective self-reliance by third world countries can "help achieve a better balance in the new international economic order and narrow the widening gap between rich and poor nations." (Agarwala, 1978, p. 34). Other economists (e.g., Dunning, 1979, 1988; Vernon, 1979) are also of the opinion that LDCs are better equipped to enter other LDC markets.

Regardless of the merits of increasing North-South trade as opposed to South-South trade, it is felt that what is even more important to LDCs is diversifying their market for all exports. As Deans and Bernstein (1978) note, developing countries may be able to reduce the fluctuations in their export earnings by spreading their exports among a large number of customers and not concentrating on a few. Thus, LDCs may fare better by increasing their trade in manufactures with more countries, especially in the developed world as this will reduce their trade instability. Corresponding diversifications in the export of other products may also be called for.

II.1.6 Summary

To summarize, exports and export stability seem to be critical to the growth of LDCs. For these coun-

tries, one way of achieving export stability and higher (and more stable) foreign exchange earnings seems to be by diversifying their product mix to include more non-traditional manufactured exports, especially to developed nations.

The problems that LDCs face in their attempts to increase their exports are also different from those confronting the developed nations. Given the importance of exports and the differences in the issues faced by LDC exporters, it is felt that study on exporting of different types of products from LDCs to both developed and developing nations would be useful. This study is an attempt to do the above from the context of one developing country--i.e. India.

In the next section, studies on exporting from LDCs in the international business and marketing areas will be examined.

II.2. STUDIES ON EXPORTING FROM DEVELOPING COUNTRIES

As mentioned earlier, most of the research on exporting in the marketing area has focused on exporting from developed nations. There have been, however, a few exceptions and this section will review the research on exporting from the developing world. Only studies concentrating on LDCs in general or on speci-

fic LDCs are reported here. General studies on exporting will be reviewed in the next chapter.

Wortzel and Wortzel (1981), looked at export marketing strategies for NIC and LDC based firms and proposed a five stage model of exporting that companies from these countries could follow. The authors suggest that firms in these nations start exporting activities due to initiatives on the part of the importer ("importer pull") and then pass on to stages of increasing export commitment. Thus, in stage II, the firms have developed some internal design capabilities, but have few marketing skills. Stage III finds the firms to be capable of producing without any aid from its customers and making some attempts to find customers on its own. It becomes a supplier of knowledge and moves on to identify long term strategies for itself. Stage IV firms have moved away from contract manufacture and design and market their own products. Still, they compete mainly on price and are still dependent on the reputation of the stores that carry their product as their brand names are not very well established. Stage V firms have established production facilities offshore and have shifted from a "channel push" toward a "consumer pull" or developing a consumer franchise.

The authors also suggest alternate strategies for NIC and LDC firms. For example, they state that while it is desirable for LDC (and NIC) firms to move to Stage III (where they have developed enough knowledge to produce export quality merchandise on their own), it may not be advisable for them to move to the later stages. Firms at Stage III can either opt to specialize in long runs of standardized products or diversify their product line. Moving into Stage IV may be desirable only in the case of products where branding and consumer franchise are essential for success.

While the model and the recommendations made by these authors may be applicable to many NICs and LDCs, it is felt that there are likely to be instances where they do not fit. For example, in countries where exporting is highly emphasized and granting of a licence to produce is contingent on exporting a certain percentage of its production, firms may not start at Stage I. In other words, importer push may not be a viable stage for some LDC firms.

Other researchers have concentrated on factors that lead to higher exports or increased export orientation on the part of LDC firms. For example, in a study on export performance and R & D intensity, Hirsch and Bijaoui (1985), using a sample of 111 exporters from Israel, found that the propensity to ex-

port is higher for firms that are engaged in R & D activities. Size of the firm and export performance were also found to be correlated, although weakly. The authors suggest that firms may be induced to export more of their output by giving incentives for R & D activities.

Daniels and Robles (1982) found that there was a positive relationship between the adoption of capital intensive technologies and the export commitment of Peruvian firms. The study looked at 41 large firms in the textile industry in Peru (accounting for 81% of the country's installed spinning capacity) and three innovations in the textile industry (automatic winding, open-end spinning and shuttleless looms). It was found that exporters perceived the use of these innovations as more advantageous than nonexporters. Export shares of adopters of these innovations was also found to be significantly higher than those of nonadopters. Overall, the authors conclude that an adoption of innovations - especially those that lead to capital intensive technologies - appears to be positively related to export activities and increases in export share. They consider the lowering of the cost of production and perceived improvements in quality (in the buyer's mind) to be the reasons for the adoption of such technological innovations by exporters.

Lall and Mohammed (1983) studied the impact of foreign ownership on export performance of large corporate firms in India. When the effects of industry characteristics and export incentives were controlled, the authors found foreign ownership to have a positive impact on overall performance although the statistical significance was rather low. The study also looked at the effects of export incentives on exporting and found that such incentives did more than just compensate for higher local production costs--i.e., they did stimulate exports. Another interesting finding of the study was the negative relationship between propensity to export and managerial intensity. Thus, having highly-skilled, highly-paid managerial talents seem to "direct industries away from foreign markets contrary to (what is expected) in a more developed, less regulated, more market-directed economy." (p. 64)

Kacker (1975) in a study of 20 engineering goods exporters from India looked at the problems and patterns of product adaptations among exporters. Product adaptations (made specifically for export purposes) were classified into minimal (minor changes in product design that are either mandatory in the export market or imposed by buyers) and major ones (voluntary adaptations which are deliberate moves on the part of the seller to improve export performance and which were

major changes in the product). It was found that most exporters ventured into markets which called for minimal product adaptations. A higher degree of product adaptation would require a significant investment in marketing research and product development and this was beyond the reach of most Indian firms. The large home market also served as a disincentive for making such commitments to the export market.

Ayal and Hirsch (1982) looked at the market factors that are relevant in small country exports and hypothesized that market share, market size, technological sophistication, and market growth rate (growth of imports to the target market for a particular product category) are positively correlated with export success. (The study used Israeli firms but is included here as Israel is a nation which has been classified differently by different authors and the above authors seem to view it as a developing country.) The study concludes that firms that are small and/or in smaller countries may do better if they enter the international market with high technology products in the advanced stages of their product life cycles.

Other researchers have concentrated on export development efforts in specific countries and the problems faced by them. For example, Luis (1982) surveyed the export promotion methods used in Latin Amer-

ican nations and evaluated their effectiveness. Fendt, Jr (1982) studied the export marketing of services by Brazil. While these studies are limited to issues in exporting from one or a few nations, some of their conclusions may be applicable to other LDCs. For example, Fendt Jr (1982) recommends government-to-government negotiations and incentives for repatriation of foreign exchange earnings of Brazilian nationals who are involved in the export of services. These recommendations are also relevant for countries like India and are followed by the Indian government.

Ford (1985) in analysis of buyer-seller relationship in export development from the developing world also points out some of the problems and issues faced by exporters. A case study approach is used in the study (which is still on going) and the model of stages in export development proposed by Wortzel and Wortzel (1981) is utilized to study LDC export development. Differences in channel issues and the effects of technology in the relationship are raised. For example, it is argued that the participants' ability to provide appropriate technology would affect the success of the relationship. Relationship variables like adaptations, power, and control are also to be included in the study. Export development is seen to be a process of relation- ship development and the

respective technological contributions of buyers and sellers are also looked The results of the study are yet to be disclosed.

A very interesting approach to export promotion in LDCs is proposed by Kuada (1979). He disagrees with the traditional export promotion suggestions made in the economic and business literature which include:

i) an early emphasis on capital substitution
ii) export led growth using imported inputs, capital and ideas
iii) emphasis on exporting to developed countries
iv) emphasis on export development zones and
v) export sectors or product categories that are picked out for exports and developed.

The author looks at the problems of these measures (or strategies) and points out the lack of success of many LDCs that have followed these methods. The solution, according to Kuada, is product development--i.e., development of products that will ensure economic growth in all sectors of the society. Such product development will utilize the existing products, resources, and services in the economy and thus stimulate the production of other products. These products will also be aimed at small scale producers and farmers (both industrial and consumer goods for

these segments) and will be traded between LDCs, at least, to a greater extent than at the present.

Finally, Jansson (1982) carried out an in-depth analysis of interfirm linkages between Swedish firms in India and their parent companies. The study looked primarily at product linkages between these firms and emphasized contact patterns, know-how linkages, and adaptations. Six Swedish firms and their Indian counterparts form the sample and the case study method was used in the study. Implications for developmental policies are also discussed. While the study provides great in-depth analysis of the firms involved, all the firms in the sample are subsidiaries of Swedish companies and most of the interactions studied are between these firms and their parent companies. Thus, the focus of this study is very different from the present one and it can offer only limited inputs to the present project.

The developmental economics literature contains many studies on exporting from developing countries. While these can provide good background reading for research such as the present one, their focus is primarily on economic factors. Hence these are of questionable relevance in the present context. However, there are studies in this field which are of interest to marketers and these will be discussed here.

de Vries (1977) reviewed developments (in exporting) in Latin America during the period 1971-75 and came to the following conclusions: (i) manufactured exports slowed down markedly in Latin America and their prices fell during the recession while nontraditional agricultural exports did better than manufactured exports; (ii) growth of manufactured exports (from LDCs) will have to be accompanied by continued diversification into new items for future growth, and (iii) better linkages and trade between growing economies of the developing world is essential for continued growth.

In a broad-ranging analysis of export incentives and their effects on export performance in developing countries, Balassa (1985) looked at eleven developing countries for the period 1966-73. The countries studied were Argentina, Brazil, Chile, Colombia, Mexico, Israel, Yugoslavia, India, Korea, SIngapore and Taiwan. These countries were classified into four groups based on the timing and extent of their export promotion efforts. The author found that greater export orientation (as in the case of Singapore, Taiwan and Korea) led to better growth. However, the study also seemed to indicate that the acceptability of manufactured exports from LDCs would be better if they replace imports from other developed countries rather

than domestic production. The author concludes that, contrary to general opinion, developing countries should not try to find products that are not controlled by developed nations, but should try to compete with them. Prospects for trade with the OPEC group of developing countries are also seen to be modest as these countries tend to protect their growing industries.

In a study of 15 LDCs, Douges and Riedel (1977) looked at two issues: (i) Is export performance responsive to governmental promotion efforts and (ii) are LDC exports constrained by a lack of demand? The authors, after studying the exports of these countries for the post 1950 period, found that the supply of export oriented goods increased with the introduction of financial incentives. The semi-industrialized developing countries in the sample also developed a comparative advantage in a number of light manufacturing products. This, according to the researchers, is a great advantage as these products are less subject to intense price competition and market instability than the traditional labour intensive exports of LDCs. The study also found that the constraints on the demand side are not as severe as believed generally and that the markets for LDC exports in developed nations can be expanded.

Another work in the field of economics that is of relevance here is the product life cycle hypothesis propounded initially in the mid sixties by Vernon and developed further by him in later years (Vernon, 1979). Originally put forward to explain the growth of multinational corporations based in the United States, the product life cycle (PLC) theory has been utilized later to analyze trade and investments by firms in other countries. According to Vernon (1979) the PLC theory basically assumes that firms move from home-based operations to exporting to foreign production in reliance on some real or imagined monopolistic advantage based on innovations developed in the home market. These innovations tend to reflect home market characteristics - e.g., firms in the United States were innovators of labour saving equipment/processes reflecting the needs of their society. The diffusion of technology from a developed country proceeds in stages with the innovating nation finally losing its technological edge as the innovation reaches the developing world. However, as Vernon (1979) himself notes, some of the underlying assumptions of the PLC hypothesis have become questionable due to environmental changes and the spread of industrial operations. The United States does not possess the innovational lead it used to; the differences between it and other

nations in the developed world in economic levels have come down and innovations tend to spread faster in today's world. However, the researcher feels that the PLC may still be relevant for explaining the internationalization processes of smaller firms and, to an even greater extent, the behaviour of LDC based multinationals. Vernon (1979) states that firms based in LDCs are emerging as innovators with specialized products that are then targeted at other LDCs that are lagging behind them.

Economic theories of international investment have been varied and very few economists have attempted to bring these theories together. In one such rare attempt, Dunning (1979, 1988) propounds an eclectic theory of internationalization. Basically, the theory states that firms will engage in foreign direct investment if (i) they possess ownership advantages (of unique ideas/products, etc), (ii) they feel that it is more advantageous to use these advantages themselves than selling or leasing them to other firms, and (iii) it is more profitable to produce these outside their home market than just inside it. Dunning (1988) also proposes a four stage investment development path from no inward or outward multinational activity to import of intermediate products to some exporting to becoming a net outward investor.

The interesting aspect of Dunning's theory for researchers in the field of export marketing is that he sees the development of such advantages and the choice of the foreign market (for entry purposes) to be influenced greatly by country-specific features. Thus he sees LDCs like India with their plentiful labour supplies, good technicians, expertise of small firm or consultancy operations eventually developing advantages in small scale, labour intensive technologies or technical consulting. Dunning sees LDC firms with their smaller size as having the ability to be more flexible and possessing skill-based and/or market knowledge based advantages especially in other LDC markets (Dunning, 1979).

Another area of interest to researchers in the field of international marketing and exporting is the research on competitive strategies of international firms. This is partly the result of the "sweeping gale of globalization" (Levitt, 1983) that is whipping industries ranging from raw materials to high tech products to service industries to every day consumer goods. As Buzzell and Quelch (1988) note, the top management of many large corporations are asking the question "why not go global?" rather than "why go global?" Several strategies for firms trying to enter international markets have been put forward. While

all of these are not of equal interest to LDC firms- or perhaps even feasible in many cases - these are still issues that managers in LDC firms involved (or interested) in international marketing should be aware of.

An interesting strategy and one that is likely to be of great interest to LDC firms is the formation of coalitions to cope with the increased globalization of markets. Porter and Fuller (1986) define coalitions as "formal long-term alliances between firms that link aspects of their business but fall short of merger" (p. 315). Such coalitions can take various forms- joint ventures, licensing agreements, supply agreements, marketing agreements and so on. Historically, developed country-based firms have formed coalitions with LDC firms to perform marketing activities there. But as Porter (1986) states this is changing fast. Such coalitions would enable smaller firms or firms in LDCs (among others) to achieve global scope and scale within the coalition.

A second strategy would be focusing on protected market segments in one or more countries (Buzzell & Quelch, 1988). An even more reactive strategy- though perhaps one that not many LDCs can adopt - is one of aggressive conversion to a global strategy (Buzzell & Quelch, 1988; Kinsey, 1988). As Kinsey

(1988) the small size of most LDC markets curtails their ability to sustain modern industry. This makes exporting and internationalization even more critical and if unattempted, may lead to foreign competitors undercutting domestic producers even in their home markets. Many of the present NICs reached their current status by following such a strategy. Finally, the increased use of counter trade is likely to be a viable option to many LDCs. Different forms of counter trade such as barter, counterpurchase, product buyback (or purchase of goods produced by the capital equipment acquired) and offset deals (necessitating an investment to offset the cost of the goods sold) are all possible for the state marketer and individual marketers in LDCs (Kinsey, 1988).

II.2.1. Summary

While the studies from economics provide useful insights, the focus of these studies is very different and, hence, of limited relevance in this context. As can be seen from the above discussion, there are several studies in the marketing and international business fields on exporting from developing countries. Certain conclusions can be drawn from the above studies:

1) A model for looking at the stages in export development of LDCs (and NICs) exists and can provide a useful starting point for studies on exporting from LDCs.

2) Relationships between export commitment and a few other variables have been identified. R & D expenditures, size of the firm, choice of technology and innovation adoption are the specific variables that have been found to be correlated with export performance and/or export commitment.

3) Incentives and other promotional measures by LDC governments have been found to be useful in stimulating export activity and export growth.

4) Increasing the share of LDC exports, particularly manufactured exports, in international trade is possible. Diversification into new product categories is generally recommended.

5) Product adaptation is seen as a hurdle for LDC exporters and leads them to export to similar markets that require less adaptation.

6) Models using developed countries as examples may be applicable to the LDC context with modifications or changes in emphasis.

7) LDC firms are likely to have advantages in the exporting of small scale, labour intensive technolo-

gies and in the technical consulting sector (in the case of LDCs with a highly trained pool of manpower).

8) LDC firms are generally seen as being more equipped to export innovative or advanced products to other LDCs.

9) Internationalization is seen to occur in stages but there is little agreement among researchers on the number of stages or progression through them.

10) Several strategies are available to firms interested in international trade. While all of these may not be of equal interest to LDC firms, some may be of relevance to them.

In spite of these insights that the review of literature on LDC exports provided, a few drawbacks of these studies have to be pointed out.

1) These studies have, in general, looked at specific variables (like product adaptation, firm size, etc.) rather than attempting to provide an overall look at exporting from LDCs. There is also no attempt made to use any well developed model while studying LDC exports. Thus, while relationships between specific variables are identified, it is difficult to get a coherent picture of the issues or factors involved in developing country exports.

2) Many of the articles or papers have little empirical base. While no one can question the relevance of theoretical contributions to the literature, lack of empirical support is a major drawback that needs to be filled.

3) No attempt is made to differentiate between buyers of LDC exports. The buyer is a key factor in the export equation and one cannot assume that all buyers are similar. As argued earlier, LDCs may have to develop different strategies for dealing with developed country markets as opposed to other LDC markets.

4) Product differences are also not considered in any depth. While increasing LDC share of manufactured exports is emphasized, problems in exporting manufactured exports vs. traditional exports are not looked at.

5) Applicability of the current models or concepts in the export marketing literature to LDC exports has not been looked into.

This chapter looked at the general issues facing LDC firms in the international market place. Most of the studies cited in this chapter are from the fields of economics and international business. As mentioned earlier, the primary focus of many of these has been at a macro - or country - level. While these provide

useful insights to a study such as the present one, their relevance is at a more indirect level. The next chapter will focus on relevant research conducted in the fields of export marketing and channels of distribution. The work done in these fields will provide the basis for the research model to be developed for this study.

Table 2.1

World Trade by Region +

Year	Developed Countries		Developing countries*		Centrally Planned		Total	
	Imports	Exports	Imports	Exports	Import	Exports	Imports	Exports
1970	237772	223130	58959	57094	35400	33690	332131	313913
1973	429784	403693	103758	113448	66252	61558	599764	578698
1975	607886	575068	196626	215469	192245	86524	906758	877061
1977	785680	723846	261962	296330	115949	107909	1163591	1128085
1979	1174222	1065489	358100	427274	159563	141213	1691885	1976754
1981	1337636	1228114	510635	566698	187923	181943	2036194	1976754
1983	1232159	1148270	462864	462149	194968	202998	1889991	1813416
1985	1385692	1265465	437329	470051	219660	203083	2042681	1938599

* Includes Newly Industrializing Countries like Hong Kong, Taiwan, etc.

\+ In thousands of U.S. dollars.

Source: Yearbook of International Trade Statistics, United Nations, New York, various Issues.

Table 2.2

Terms of Trade of Market Economies+

Year	Developed Market Economies	Developing Market* Economies
1965	121	47
1970	121	50
1975	109	75
1981	99	100
1982	100	99
1983	101	92
1984	100	94
1985	102	-

*Includes Newly Industrializing Countries like Hong Kong, Taiwan, etc.

+ Index = 1980 = 100
Unit value index of exports divided by unit value index of exports

Source: Year Book of International Trade Statistics, United Nations, New York, various issues.

Table 2.3

Purchasing Power of Exports+

Year	1970	1975	1981	1982	1983	1984	1985
Devd. nations							
U.S.A.	78	89	100	92	91	96	97
Canada	60	75	98	98	110	127	133
Other Nations							
India	85	78	66	78	-	-	-
Pakistan	28	49	99	80	87	63	79
Hong Kong	41	51	107	105	116	138	135

+ 1980 = 100

Source: Year Book of International Trade Statistics, United Nations, various issues, New York.

Table 2.4

Growth Rate of Exports+

Category	Developed countries	Developing countries*	Centrally Planned Economies	World
Total	6.3	3.8	1.5	5.2
Food	1.1	1.7	5.5	1.9
Crude Materials	10.1	11.0	4.9	9.8
Mineral Fuels	2.9	5.2	2.5	2.0
Chemicals	7.1	14.9	4.5	7.5
Machinery & Transport	8.4	24.1	0.5	8.8
Other Manufactures	4.5	15.0	2.9	6.4

* Includes Newly Industrializing Countries like Hong Kong.
+ Annual Percentage of Growth during 1983-4

Source: Year Book of International Trade Statistics, United Nations, New York, 1985

Table 2.5

Direction of World Exports+

To / From	Year	Developed Countries	Developing Countries*	Centrally Planned Economies	World
Devd	1980	902,616	295,084	60,810	1,267,872
	1982	815,746	291,612	53,064	1,242,490
	1984	901,341	265,951	54,714	1,235,717
Devg	1980	391,623	138,922	20,563	558,593
	1982	311,208	144,748	24,022	485,146
	1984	305,683	132,906	24,840	468,956
CPE	1980	57,238	31,953	85,576	175,493
	1982	57,051	40,149	88,700	186,982
	1984	61,452	39,804	98,216	202,571
World	1980	1,251,475	465,959	166,949	2,001,958
	1982	1,284,604	476,506	165,785	1,848,326
	1984	1,266,477	428,663	177,769	1,907,244

* Includes Newly Industrializing Countries like Hong Kong.

\+ In thousands of U.S. Dollars

Source: Year Book of International Trade Statistics, United Nations, New York, Various Issues

CHAPTER III

A REVIEW OF THE LITERATURE ON EXPORT MARKETING AND CHANNELS OF DISTRIBUTION

III.0 INTRODUCTION

The literature on exporting has followed diverse patterns. Some researchers have taken a macro approach to exporting and have concentrated on developing models of export behaviour, stages in the internationalization of the firm, etc. Other researchers have looked at exporting from a micro view point - i.e., the factors that affect export behaviour and success in exporting. The latter group has thus concentrated on identifying the effect of variables like firm size, technology, managerial attitudes, etc., on the decision to export and success in exporting. In the following pages, a review of the existing literature, both at a macro and a micro level, will be provided.

III.1 MACRO-LEVEL RESEARCH ON EXPORT BEHAVIOUR

As mentioned earlier, considerable attention has been paid to the development of models in the field of exporting. These models have concentrated on slightly different aspects of exporting. The first set of models to be discussed here deal with why and how

firms get involved in exporting. Thus these models examine the stages in the internationalization process of firms or the reasons for internationalization . Bilkey and Tesar's Stage Model and Cavusgil's Stages of Involvement Model are examples of this category of models. The second set of models consider exporting as a process of developing buyer-seller relationships and attempt to incorporate all the factors that affect or mould these relationships. The IMP group model and Ford and Rosson's (1981) model of manufacturer-overseas distributor relationship are two examples. The final model discussed in this section looks at industrial markets as networks. Partly inspired by the transaction cost approach, this model looks at business relationships in a broader context - i.e., as part of a larger network of connected relationships. These various types of models are discussed below.

III.1.1 Models of Internationalization Process

One of the major areas of study in the export marketing field has been on the processes or stages in the internationalization of the firm. Researchers have looked at this issue in many ways - a brief summary of the past work in this area is presented below:-

1) Bilkey and Tesar's Stage Model: The model is derived from the theory of innovation diffusion developed by Rogers (1962) and consists of the following six stages:

Stage-1 Firm unwilling to export; would not fill even unsolicited orders.

Stage-2 Firm fills unsolicited orders from importers but does not consider exporting in a serious manner.

Stage-3 Firm seriously explores exporting as a possible activity.

Stage-4 Exports to one or a few markets on an experimental basis.

Stage-5 Firm becomes an experienced exporter to a few selected markets.

Stage-6 Firm gets involved in exporting to additional markets.

The model was tested using a sample of 423 small and medium sized exporters in Wisconsin, U.S.A. The researchers concluded that exporting was a developmental process that proceeded in stages.

The researchers also investigated the factors that made a firm move from one stage to another by using a multiple regression equation. The variables in the equation were managerial expectations from ex-

porting, structural and institutional obstacles or inhibitions to exporting, facilitators (like unsolicited orders, subsidies, etc.), managerial dynamism and other organizational characteristics related to exporting. The results only partly explained movement from one stage to another. It was also found that different factors were involved in the movement to different stages. For example, movement to stage four correlated with receiving an unsolicited order, quality of management and the firm's size. Movement to stage-5, on the other hand,seemed to be directly related to managerial expectations from exporting and inversely related to the quality of the management and perceived inhibitions to exporting.

2) Reid's Model of Export Behaviour: Related to the above model is Reid's model of export behaviour which identifies 5 stages in the export adoption process. These are: (Reid-1981)

Stage-1 Export awareness--a recognition of exporting as an opportunity for growth.

Stage-2 Export intention--where expectations from exporting and attitudes toward exporting are developed.

Stage-3 Export trial--limited exporting on a

trial basis.

Stage-4 Export evaluation--an analysis of exporting and its impact on profits and sales.

Stage-5 Export acceptance--adoption or rejection of exporting.

(The model is presented in the next page).

The above hierarchical model views exporting as innovation adoption process. The decision to export is not viewed in an unidimensional manner - rather, the above researcher sees exporting and export performance as being defined along multidimensional variables. These include growth, rate of new market expansion, etc.

The above model also moves the emphasis from the study of pre-export behaviour to the study of individual decision maker characteristics and the acquisition of export related information. The model was tested using smaller firms. The researcher concludes (based on his results) that the decision maker's attitudes towards exporting and his/her perception of the results of export activities are key determinants of subsequent export behaviour.

Figure 3.1

Reid's Model of Export Behaviour

	Stage 1 Awareness	Stage 2 Intention	Stage 3 Trial	Stage 4 Evaluation	Stage 5 Acceptance
EXPORT ADOPTION STAGES	Problem/ opportunity recognition, arousal of need	Motivation attitude beliefs & expectancy about export contribution	Personal experience from exporting	Results from engaging in exporting	adoption of exporting/rejection of exporting
DECISION MAKER Variables involved	Past experience export related or not; type, level & of foreign information exposed to & associated individual traits unsolicited foreign orders	Expectations from entry into foreign market, foreign market orientation, export orientation and underlying attitudes toward foreign involvement	Sought foreign orders through search of foreign markets	Profitability, sales stability	Export expansion activity shown by continued export growth as increased exports, continued entry to new mkts, absolute export growth, continued introduction of new prodcts into export markets
FIRM Variables involved	Past firm performace, reputation, & visibility	Mgl goals and existing firm resources	Unsolicited foreign orders existence of available mgl & financial resources	Results from engaging in export behaviour	

Source: Reid, S. Information Acquisition and Export Entry Decisions in Small Firms. Journal of Business Research, 12, 1984, 141-57

3) Johanson & Wiedersheim Paul's Increased Commitment Model: The above researchers have looked at exporting as a series of incremental decisions by firms rather than a major decision to export. Thus, these researchers see firms as being drawn into exporting in small steps. The stages or steps identified in the model are:-

i) no regular export activities;
ii) exporting via an independent middleman;
iii) establishment of a sales subsidiary;
vi) production or manufacturing abroad.

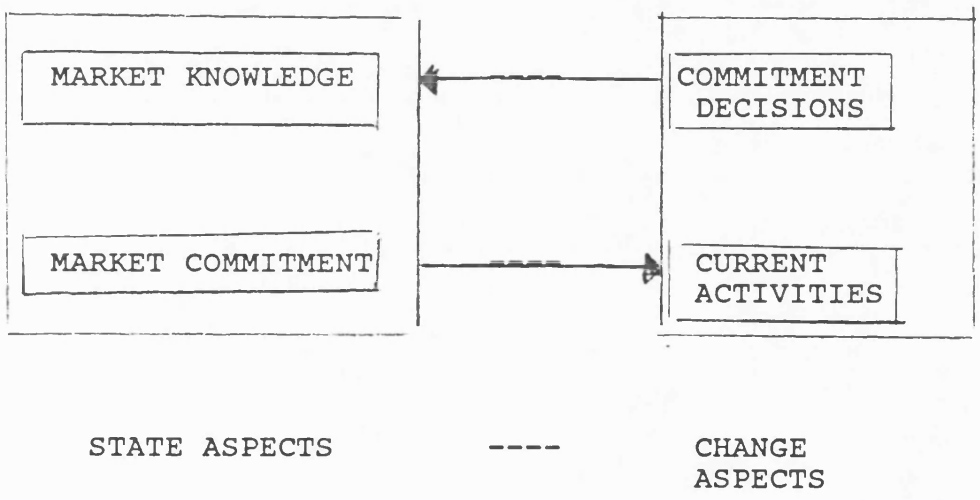
The model was supported by the observations from four internationalization case studies that the researchers carried out in Sweden. The model assumes that obstacles to internationalization are lack of knowledge and resources which make the perceived risk in exporting very high.

With incremental decisions to enlarge their operations, the knowledge that the firms have about exporting increases. At the same time, the perceived risk associated with exporting decreases. This, in turn, makes them move on to the later stages of export commitment.

4) Johanson & Vahlne's Model of Export Behaviour:

This model, based on the previous one, amplifies the role played by knowledge and gradual commitment to exporting. The model is presented below. (Johanson & Vahlne, 1977)

Figure 3.2 Johanson and Vahlne's Model of Export Behaviour.



The state aspects, i.e. knowledge of the market and any commitment of resources to the foreign market affect the change aspects of commitment decisions and current activities. These, in turn, will affect the knowledge of the market and commitment to it. Thus, it is a two way model or a dynamic model.

The researchers consider the two state aspects to be directly related, i.e. knowledge is seen as a resource and the better the knowledge, the higher the commitment of that resource to the foreign market. This is seen to be more the case when actual experiential knowledge, or knowledge specific to a market which is not transferrable, in concerned. Again, additional commitments to an export market are seen to happen in small steps. The exceptions to this would be instances where the market is very stable, the firm have very high resources and for previous experience with similar markets.

5) Cavusgil's Stages of Involvement Model: Cavusgil (1984) proposed a three stage model to study the internationalization process of firms. These stages indicate increasing levels of involvement in and commitment to exporting. Stage I or Experimental Involvement is characterized by very little commitment to exporting. Firms in this stage export because they have received unsolicited inquiries and react passively to such inquiries. Export sales are seen as marginal and of little importance. In stage 2--Active Involvement--international business is seen as making important contributions to the achievement of the

firms overall goals. Efforts to cultivate export markets are undertaken and a more long time commitment to exports is made. The firm enters more export markets and exporting is no longer seen as a marginal activity. The last stage, Committed Involvement, sees the firm searching for markets worldwide, investing abroad, and/or setting up an overseas subsidiary.

The model was tested using 70 firms from Wisconsin and Illinois. The results indicated that companies in the three stages of internationalization differed in some dimensions. For example, the experimental involvement firms had the least amount of face-to-face interactions while committed exporters had more personal contacts, provided sales support and, in general, had more interactions with their buyers. Profits from exporting were higher for firms in the later stages of export involvement.

6) Piercey's Active & Reactive Exporting: Piercey (1981) identifies two types of internationalization processes. In the first type, companies get involved in exporting primarily because there were unsolicited orders from abroad or to make up sales volume which they cannot sell in the home market. These firms are called reactive exporters. The second category of firms get involved in exporting because they see it as

the main source of growth for the company. The author goes on to distinguish between strategies of active and reactive exporters. Some of the major differences between the two groups of exporters that were identified in the study are:

a) active exporters tend to use market based pricing (as opposed to cost based pricing) more often than reactive exporters;
b) active exporters emphasize price based competition while reactive exporters tended to rely more on product quality or non-price competition and
c) reactive exporters are more concerned with volume objectives than active exporters.

Tesar (1975) and Tesar and Tarleton (1981) used a similar classification of exporters in their studies of medium and small sized exporters in two states of the U.S.A. They classify exporters as aggressive or passive. Aggressive exporters (similar to Piercey's "active" exporters) are those who sought the first export order while passive exporters are those whose first export orders were unsolicited ones (similar to "passive" category in Piercey's classification). The researchers found differences between aggressive and

passive exporters on factors like perceived risk of exporting, exports as percentage of sales volume, frequency of visits to foreign markets and usage of information (Tesar and Tarleton, 1981).

As can be noticed, there is considerable overlap between the models proposed by Tesar (1975) and Tesar and Tarleton (1981) and Cavusgil (1984). The primary focus of these models is the classification of exporters into categories depending on their degree of involvement or commitment to exporting and their initial entry into exporting. The usefulness of the models is seen to be in the identification of firms that may be targeted for govern- mental promotional efforts. Thus, these researchers attempted to identify characteristics of these firms in each group and to develop profiles of exporters.

7) Welch & Wiedersheim-Paul's Pre-Export Behaviour Model: The above researchers developed a model of pre-export behaviour that is dynamic. In this model, characteristics of the firm (product lines and range, location, potential markets) and its history, along with the decision-maker's characteristics are hypothesized to enforce the exposure to export stimuli. The stimuli are classified as internal (excess capacity, product uniqueness, unrealized goals) or external

(unsolicited orders, competition, etc.). Once these stimuli are perceived by the decision makers, their perceptions of the stimuli and the risk and uncertainty associated with any actions would influence the type of pre-export behaviour (active, passive, or domestic). Feedback loops which link pre-export behaviour with export stimuli, make the model dynamic (Welch & Wiedersheim-Paul, 1977). The model is presented in the next page.

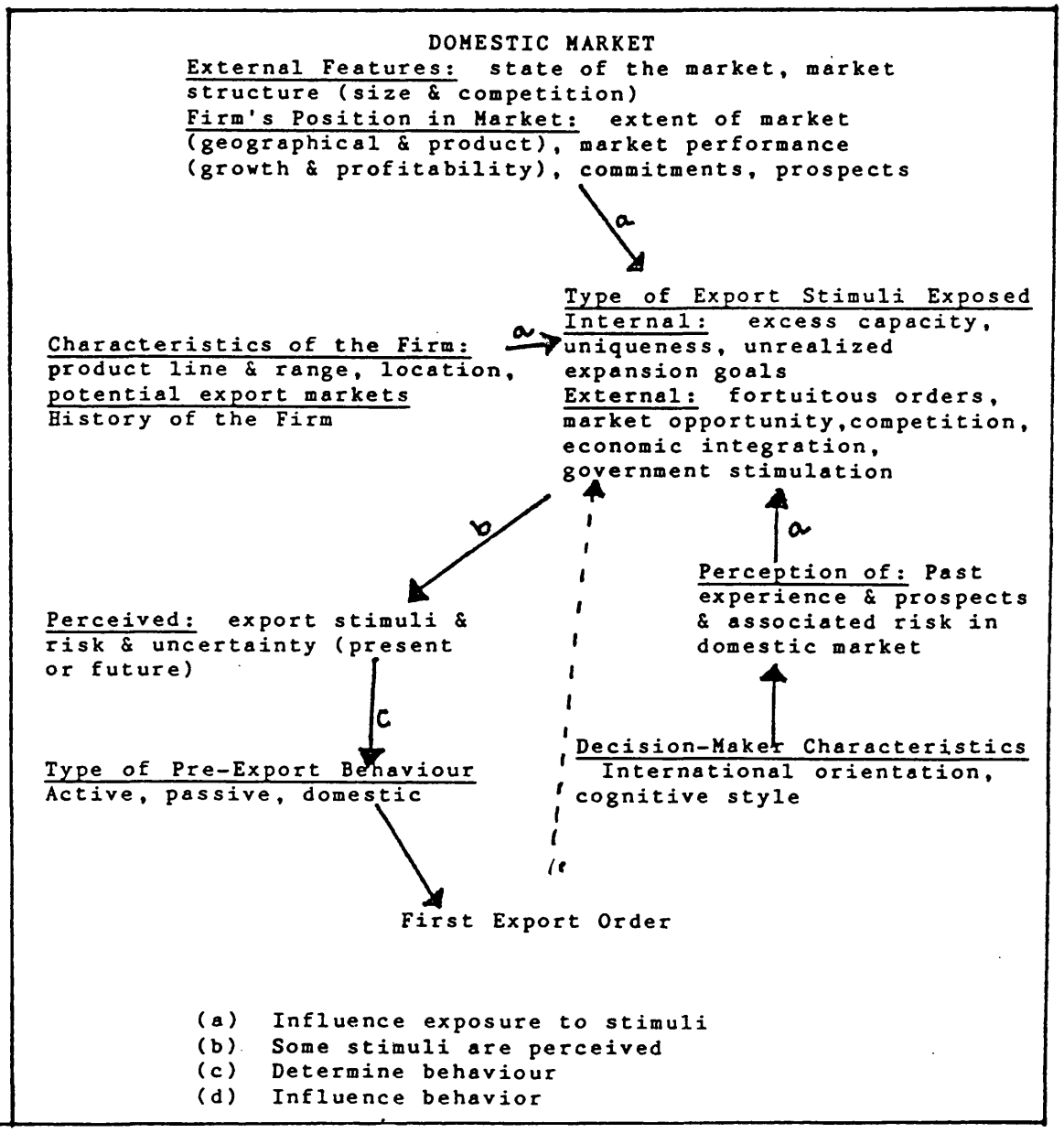
8) Cavusgil's Path Model of Export Behaviour:

Cavusgil (1976) developed a path model of export behaviour using the empirical data collected by Tesar. He identifies three background variables (firm's technology, product uniqueness and managerial aspirations for profits, growth and security of investment), two intervening variables (managerial expectations regarding effects of exporting on profits, etc., and allocation of the firm's resources to exporting) and a dependent variable i.e. probability of exporting.

An empirical study based on the model tended to support the hypothesis that export behaviour can be explained fairly well by the internal characteristics of the firm and the qualities of its management. Specifically, lack of exporting was seen to be related

FIGURE 3.3

Welch and Wiedersheim - Paul's model of pre-export behaviour



primarily to lack of determination on the part of senior management to export (Cavusgil & Nevin, 1981).

Comments on the Models

Export marketing is a relatively new field. As can be seen from the previous discussion of export models, most of the work in the area was done in the last two decades. As in any new area of research, there are some problems (and positive points) in the above field. The following points could be made about the export behaviour and internationalization models discussed here:

1) The models seem to approach export behaviour and internationalization from two different points of view. The first set of models look at the stages through which firms proceed in their efforts to internationalize. The others look at why or what motivates firms to start and develop exporting. For example, Welsch & Wiedersheim-Paul's model is an attempt to explain the variables that influence the pre-export behaviour and decision to export. Bilkey & Tesar's model, on the other hand, explains how firms progress from domestic marketing to international exporting. There seem to be very few attempts to integrate the two approaches. Cavusgil's (1976, 1981) models do attempt to integrate the past models to some extent.

However, for the most part, the approaches have not been integrated.

2) The models have all been tested using cross-sectional studies rather than longitudinal ones. In a stage or hierarchical model. to really test the progression of firms through the various stages, longitudinal studies are needed.

3) The empirical testing of the models have been usually conducted with small and/or limited samples (i.e. samples from one or two states in the U.S. or from one industry). This might pose some problems with the results are generalizing the results to other markets and industries.

4) There is very little agreement on terminology. Thus we find that "active exporters" "active involve ment in exporting" to be used to indicate slightly different things by different researchers. One researcher uses the term "aggressive" exporters if the first order was an unsolicited one while others consider even exporters who got involved in exporting due to excess capacity to be "passive" exporters.

5) Most of the models which look at internationalization as a hierarchical process explain in great detail the characteristics of each stage. However, they do not explain how or why the firm progresses to the next stage. For policy makers (and others) who are interested in uncovering ways of increasing exports or moving firms from one stage to the other, this might be the most important piece of information.

6) All the stages theories of internationalization assume that internationalization proceeds in orderly and progressive sequences. Recently, however, many researchers have criticized the stages approach to internationalization on the grounds that firms do not follow consistent or organized paths to internationalization (e.g., Young and Hood, 1976; Li Wn Po, 1982, Reid, 1984, Turnbull and Valla, 1986, Turnbull, 1987). Besides, authors have also questioned the theory on methodological grounds - for example, Turnbull (1987) questions the combining of criteria such as export value or number of markets served with export structure. In a study of the internationalization of British companies in three industries the stages theory was not found to be relevant (Turnbull, 1987).

7) As Reid and Rosson (1987) state, most of the models "relegate overseas channel intermediaries to just a distribution role, which misses the point that these organizations are often the marketing arm of the exporter in a foreign location" (p. 9). The above authors note that only by focusing on the channel, can the systemic nature of exporting behaviour be properly analyzed. (These researchers also provide an alternate export research model - for details, refer to Reid & Rosson, 1987).

III.1.2. Models of Buyer-Seller Relationships

The next set of models to be reviewed were developed to explain the relationship between buyers and sellers and the factors involved in it. Four such models are discussed below:-

1) Ford's Model of Buyer-Seller Relationship: Ford (1980) developed a model of buyer-seller relationship that identifies the stages in such relationships.The stages are: prerelationship, early, development, long term, and final stages. The model is based on the assumption that buyer-seller relationships change over time due to the increased experience and commitment that each transaction brings. The uncertainty associated with the relationship decreases over time as the parties involved learn more about each other and

the relationship itself. The model also points out the results of increasing experience - increases in standardization and formalization - which might in turn lead to some problems. The other causes for the failure of a relationship are inability of buyers and/or sellers to meet the other's requirements and unsuitable rewards for meeting them. The concept of distance and ways to reduce it (through resource exchange) are also discussed.

The model is a dynamic growth model of the relationship between buyers and sellers. It explains the various stages in the development of buyer-seller relationships and some issues involved in it. The model is presented in the following page.

2) Ford & Rosson's Model of Manufacturer-Overseas Distributor Relationship: This model concentrates on buyer-seller relationships when the buyer is an overseas distributor. The model integrates Ford's model with the earlier views of Marrett (1971) about inter-organizational relationships. The model has three different parts:

a. Participant dimensions: These include stake, experience, and uncertainty. Stake is defined as "what a party (or the parties) stands to lose if the relationship is terminated" (Ford & Rosson, 1981,

Figure 3.4

Ford's Stages of Buyer-Seller Relationships Model

Stages				
Pre-relationship	Early	Development	Longterm	Final
Evaluation of new potential supplier	Negotiation of	Contract signed/delivery build-up scale deliveries	After several major purchases	In long established stable markets
Evaluation initiated by:	Experience			
-particular episode in existing relationship	low	Increased	High	
-general evaluation of supplier	Uncertainty			
-efforts of non-supplier	high	Reduced	Minimum; Devt. of institutionalisation	Extensive Institutionalisation
-other information sources	Distance			
-overall policy decision	High	Reduced	Minimum	
Evaluation conditioned by:	Commitment			
-experience with past supplier	Actual-Low	Actual-increased; Perceived-thro' informal adaptations	Actual-maximum; Perceived-reduced	Business based on Industry codes of practice.
-uncertainty about potential relationship	Perceived-low			
-Distance from potential suppl.	Adatation			
Commitment -zero	High invest- of mgt time. Few cost savings	Increasing formal and informal. Cost savings increase	Extensive Cost savings reduced by institutionalisation.	

Source: Ford, I.D. The Development of Buyer-Seller Relationships in Industrial Markets, European Journal of Marketing, 14, 5/6, 1980, 339-53.

p. 262). Experience relates to the knowledge that the companies have of each other, and uncertainty deals with the future of the relationship. Both are seen to be related to the type and nature of the relationship between buyers and sellers.

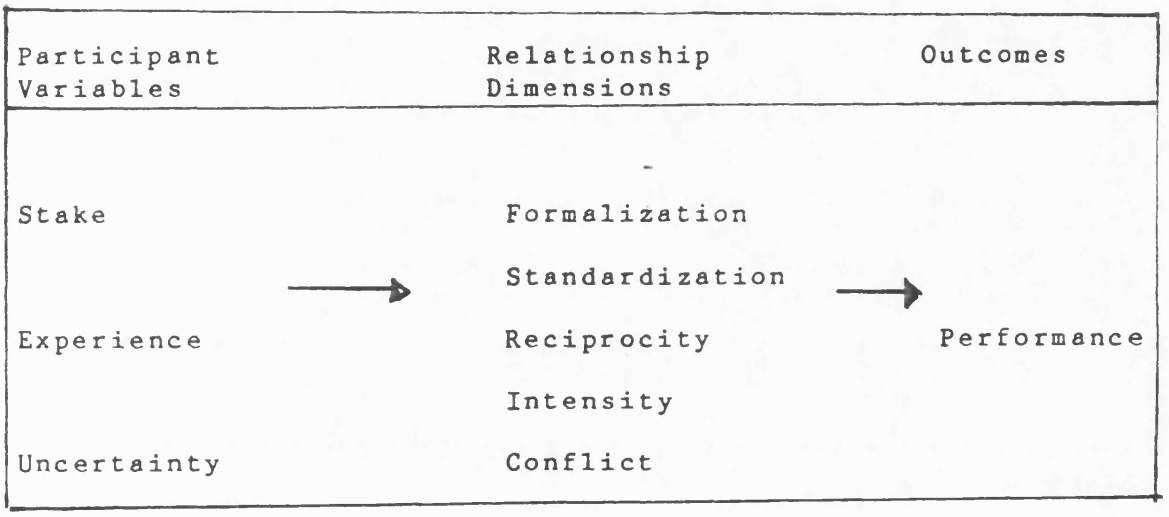
b) Relationship dimensions: These are adopted mainly from Marrett (1971) to which have been added two identified by Ford (1980) - commitment (i.e. formalization, contact intensity and resource intensity), and adaptation (standardization and reciprocal arrangements). Conflict and distance are the other relationship dimensions incorporated in the model.

c) Relationship States: The participant dimensions and the relationship dimensions are hypothesized to affect the relationship states. Five relationship states are identified -new, growing, troubled, inert (those while "still in existence can scarcely be justified" Ford & Rosson, 1981, p. 263) and static (little variation in sales, over years).

The model is shown in the following page. It was tested using data collected from 21 Canadian firms that exported industrial goods to the United Kingdom. The companies involved varied greatly in size, experience and type of product. The results indicated that the relationship development does not proceed in an

Figure 3.5

Ford and Rosson's Model of Manufacturer-Overseas Distributor Relations and Export Performance



Source: Ford, I.D. and Rosson, P.J. The Relationships Between Export Manufacturers and their Overseas Distributors. In Export Management, (ed) M.R.Czinkota & G.Tesar, Praeger, 1982

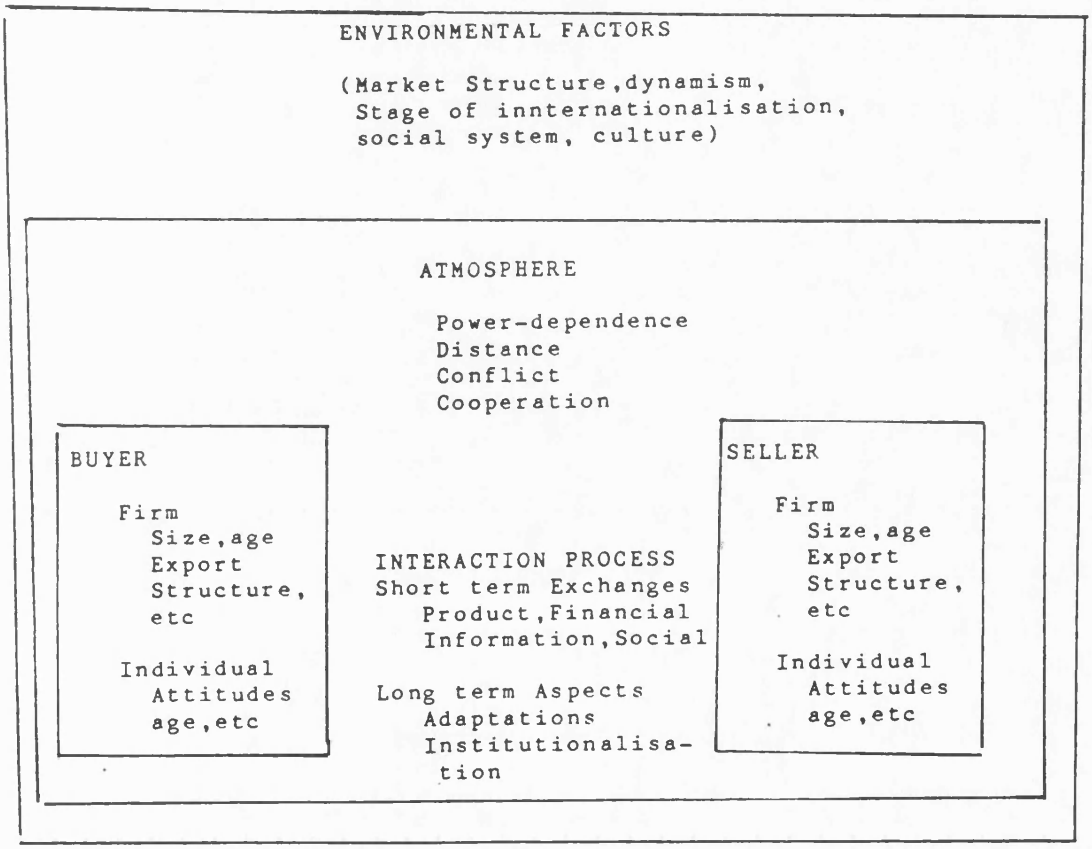
each other and managed differently.

3) The Interactive Model of the IMP Group: Most of the buyer behaviour models found in the industrial marketing field have emphasized the buying side of the relationship. The IMP Group was one of the few which emphasized the sellers side of the relationship also. The model consists of four factors - the parties (i.e., the organizations and the individuals involved), the atmosphere in which the relationship takes place, the environment (i.e., market structure, dynamism, internationalization of the market and social system and culture) and the interaction process itself. The interaction process is seen as being composed of two things: short-term exchange episodes and long-term relationships. The short-term episodes are comprised of individual exchanges of product, information, finance or social relationships. The long-term relationship which develop out of the short-term exchanges relate to the adaptations that each party makes for the relationship and the institutionalized aspects of the relationship.

The interaction approach thus emphasizes the relationship between the two parties and considers this relationship to be a key variable in industrial

Figure 3.6

The Interactive Model of the IMP Group



Source: Cunningham, M. International Purchasing of Industrial Goods - Features of a European Research Project. European Journal of International Marketing, 1980, 322-338

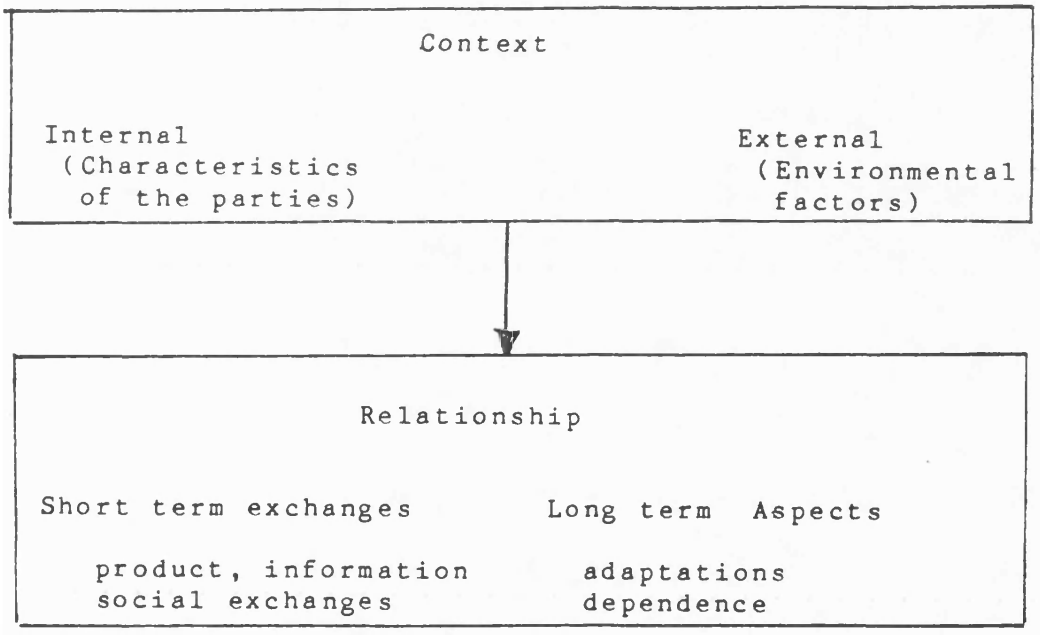
marketing. The majority of the work in the industrial marketing area, however, emphasizes the marketing mix variables as key aspects of industrial marketing (just as they are in consumer marketing). The supplier firms are thus seen as autonomous actors who can modify the marketing mix variables to achieve success. The interaction model, on the other hand, considers it necessary to examine the interaction process between buyers and sellers as the buyers are considered to be active participants in the relationship.

The interaction model also considers the analysis of discrete decisions to be an unsuitable way of analyzing industrial markets. It emphasizes the fact that industrial markets are relatively stable - i.e., it is not often that buyers and sellers break existing relationships and move into new ones. Finally, it emphasizes the similarity of the tasks of buyers and sellers (Cunningham, 1980). Figure 3.5 shows a diagrammatic representation of the model.

4) Hallen & Johanson's Context-Relationships Model: These researchers present a new model of industrial customer-seller relationship which evolved out of the interaction model. The model itself is presented on the following page.

Figure 3.7

Hallen and Johanson's Context-Relationship Model



Source: Hallen, L and Johanson, J. Dimensions of Customer Relationships of Swedish and British Industrial Suppliers. Paper presented at the Conference on Research Developments in International Marketing, UMIST, 1984

The major differences between the above model and the original interaction model are:

a) The model does not distinguish between the interaction process and relationship itself. The two are considered "so closely inter-related that the interaction can be regarded as an aspect of the relationships" (Hallen & Johanson, 1984, p. 185).

b) The model, unlike the interaction approach, sees the strategic choices that each party has in a specific relationship to be limited by the characteristics of the parties and environmental factors.

c) The model does not incorporate the atmosphere variables that were seen in the interaction model. However, some of the variables in that category are included under long term aspects- for example, dependence is included under long term aspects.

Comments on the Models:

The models of buyer-seller relationship discussed above provided an entirely new perspective to researchers in the fields of industrial and export marketing. Unlike the models discussed before them, these models for the first time, emphasized the relationship between the parties rather than the manipulation of the marketing mix variables alone. They integrated

many of the concepts identified by researchers in the fields of channels of distribution and industrial marketing. They also introduced a new methodology - both the sellers and the buyers were studied before conclusions about a relationship were reached. Further more, the emphasis in the field also shifted from the analysis of discrete exchange episodes to the long term aspects of a relationship. These models were developed to analyze the relationship management activities of a firm rather than what leads a firm to exporting or how it progressively gets involved in international marketing.

In spite of the contributions made by the researchers who have studied buyer-seller relationships in industrial or export marketing, a few problems with the research in this area should also be noted:

1) As in the case of the models of internationalization, empirical testing of the buyer-seller relationship models has been usually conducted with small and/or limited samples. For example, Ford and Rosson's (1981) model was tested with a sample of 21 Canadian firms that sold to the United Kingdom alone. The IMP project is an exception to this as it was conducted with a fairly large and diversified sample.

2) Again, there is very little agreement on terminology. For example, the IMP group defines long term aspects of the relationship have been defined as adaptations that each party makes while the same term has been used by Hallen and Johanson (1984) to refer to adaptations and social/knowledge distance between the parties.

3) Measurement of the concepts poses a major problem. This is probably due to the fact that many of the concepts have not still been defined stringently.

4) These models have also been tested using cross-sectional studies rather than longitudinal ones. Longitudinal studies would probably yield more interesting results especially in the case of dynamic models.

5) Finally, many of the buyer-seller models are extremely complex with a large number of variables and many interrelationships among them. This makes the testing of these models in their entirety an extremely difficult task. This, in turn, has led to empirical testing of small segments of the models by different researchers who have not been consistent in their terminology or measurement techniques.

III.1.3: Network Approach to Industrial Markets:*[1]

The network approach to industrial relationships has been developed by a group of Swedish researchers whose research interests were in distribution, internationalization of industrial firms and marketing behaviour. Industrial firms are engaged in production, distribution and use of goods and services with a division of work between them. This, in turn, leads to their dependence on each other and a need for their activities to be coordinated. Such coordination is seen as being brought about not through formal central plans or organizational hierarchies or through price mechanisms but through interactions between the firms in the network. Thus these firms establish exchange relationships that are developed over time through investments and hence firms develop technical, planning, social, economic and legal bonds with others in the network. The researchers stress the complementarity and inter-firm dependence in the network and see the networks as stable and changing. The positions that firms develop over time in such networks are considered to be intangible assets and define

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*1 This section is based on works by Mattson & Johanson (1986), Johanson & Mattsson (1987), Johanson & Mattsson (1988), Hakansson & Johanson (1988) and Johanson (1989).

opportunities and constraints for future strategic development.

Other important concepts emphasized by these researchers are exchange processes between the parties (with positive inducements that they offer each other being a primary feature of such processes) and adaptation processes. Adaptations can be made at a technical level (product/production modifications), logistically (e.g.,changing stock levels), administratively (e.g., on-line computer systems) or in terms of knowledge levels (e.g., through technical development matters). Adaptations are considered to be important as (i) they strengthen the bonds between the parties, (ii) they reinforce the relationships and make them more endurable, (iii) they indicate some space change in the relationship and (iv) they create changes in attitudes and knowledge which, in turn, increase the mutual orientation of the parties. Coopertion in industrial networks can be formal (e.g., joint ventures, licensing, management contracts) or informal (i.e.., those developed through social exchanges) Figures 3.8 and 3.9 provide details of certain aspects of the network approach.

While the network and transaction cost approaches share certain common features, there are some fundamental differences between them. These, briefly, are

(i) differences in theoretical foundations - the transaction cost approach is closer to the neoclassical framework while the network approach is closer to social exchange theory; (ii) differences in problem orientation - the network approach is concerned with describing and explaining dynamic aspects of systems and strategies used by firms while the transaction cost approach attempts to explain institutional governance structures; (iii) differences in system delimitations - the transaction cost approach looks at aggregates of specific types of transaction relations while the network approach analyzes characteristics of systems of interdependent dyadic relations; and (iv) differences in the nature of the relationships - the network approach sees relationships as lasting, having mutual orientation and with assets developed through exchanges and adaptations; the transaction cost approach does not consider such relationships between parties as important or stable.

For those interested in internationalization of firms, the relevance of the network approach lies in its explanations of internationalization processes of firms. Internationalization is seen as the "establishment and development of positions in relation to counterparts in foreign networks" (Johanson & Mattson, 1988, p. 296). The researchers see this as being

achieved through (i) international extension - i.e., the establishment of positions in relation to counterparts in foreign networks (ii) penetration - the development of existing positions in networks through increased resource commitments and (iii) international integration - increased coordination between firms in different national nets.

The researchers see the internationalization characteristics of both the firm and the market as being major influencers of internationalization. This is because they see the firm's market assets and those of other firms in the network varying based on the degree of internationalization (of the firm/market). Thus they analyze four different situations based on the internationalization of the market (also called "the production net") and the degree of internationalization of the firm (Figures 3.[illegible]).

The early starters in the above figure are firms that have few and rather unimportant relationships with firms abroad in markets that are not highly internationalized. These firms often follow a strategy of internationalization through entry into nearby markets using agents. Another option that firms that are large and resource-rich in home markets can use is the acquisition of another firm in the foreign market. The "lonely international" on the other hand,has

acquired knowledge and resources to handle different environments and thus possesses significant advantages over the other firms. The firm often takes the leadership position in the internationalization of the other firms in its networks.

The "late starters" which are at a comparative disadvantage in terms of market knowledge compared to its counterparts need, perhaps, to establish sales subsidiaries earlier. Smaller firms could develop coalitions with customers in foreign markets. Larger firms may be able to carry the larger risk of forming joint ventures or even acquisitions. Finally, the "international among others" while international itself, faces an environment that is highly internationalized. Further internationalization can occur only through penetration strategies or through international integration.

Since the present study is concerned with exporting from developing countries, the relevance of the above model for LDC firms should be examined in detail. Where do firms in developing countries that are entering the international markets fit in the above model? This, of course, would vary with the country and the firm in question but some generalizations may be drawn. Since the firms in most LDCs are not internationalized to any significant extent, and

since the markets that they are entering are highly international in scope, these firms are more likely to be late starters. These firms are more likely to be "pulled out" of their home markets by customers or suppliers or may have decided to enter foreign markets due to the presence of certain driving forces in the domestic market. As Johanson and Mattson (1988) state, the investments that these firms have made in the domestic market are assets to be utilized while going abroad. These firms may also be better off by not starting with nearby markets - which may already be 'occupied' - but could start with more distant markets. The exact strategy employed may vary with the size of the firm and the resources available to it.

III.2. MICRO LEVEL RESEARCH: FACTORS INFLUENCING EXPORTING

A large proportion of the research studies in the export marketing area has focused on identifying the factors that influence export activity. Some of the studies have concentrated on isolating firm or industry related factors that induce a company to enter the field of exporting. Others have focussed on identifying variables associated with export performance or success in exporting. A review of such studies is

essential for identifying the variables that need to be examined in this study. This section will attempt to summarize the micro level literature on exporting.

The variables identified in the literature can be classified into five categories - (a) Organizational Variables (e.g., size of the firm, its age, etc.), (b) Managerial aspects (example, attitudes of managers), (c) Relationship Variables (example, distance between the parties, stake in the relationship, etc.), (d) Product-related Variables (e.g., type of product) and (e) External Variables (e.g., Governmental policies). As may be obvious, these variables may be interrelated - for example, the size of the firm may influence the dependence it has on the other party involved in a transaction (or the stake), or the type of managers in the company. Thus the classification is used primarily for ease in discussing the variables and grouping them in a logical manner. Interrelationships between the variables will be discussed when needed.

III.2.1. Organizational Variables

1. Size of the firm: Many researchers have attempted to link export involvement with organizational size. Some of the results have, however, been contradictory. For example, the size of the firm was found to be

positively related to exporting by some researchers (Perkett, 1963; Tookey, 1964) while others have found no relationship between firm size and exporting (Snavely, et.al., 1964, Doyle and Schomma, 1976, Bilkey and Tesar, 1975). However, Bilkey and Tesar (1975) state that firms that obtained their own initial export orders were larger (i.e., had almost two and a half times as many employees) while Christensen, Rocha and Gertner (1978) found that larger firms remained as exporters and experienced increased total sales than non exporters . The size of the firm has also been related to the type of market information that the companies collect. Sood and Adams (1984) found that smaller firms were less interested in secondary market information than larger ones. Other studies have found that very small firms tend not to export and that exporting and size are not related beyond a certain point (Hirsch, 1971, Cavusgil, 1976).

The issue of how size is measured - using number of employees or sales volume - may also affect the results. For example, Cavusgil (1984) found that when size was measured by the number of full time employees, no difference was found between firms in the early and later stages of internationalization. However, when size was measured by sales, firms differed considerably in their levels of export commitment and

their stage in the internationalization process. Further, as Reid (1982) notes, the effects of size on export behaviour may also be confounded by the structure of the industry. In other words, the size of a firm relative to others in the industry may be a more relevant factor than absolute size.

2. Age of the Firm: Another organizational variable that has been found to be related to exporting is the age of the firm. Ursic and Czinkota (1984) for example, found that younger firms were more willing to consider exporting as an expansion alternative than older firms. Younger firms were also found to export a larger percentage of their sales and had more positive attitudes towards exporting than older firms (Ursic and Czinkota, 1984). Lee and Brasch (1978) studied the export adoption process of Nebraskan firms and found that firms using innovation oriented adoption process and problem oriented adoption process differed significantly in age. Younger companies seemed to adopt exporting through the innovation-oriented adoption process.

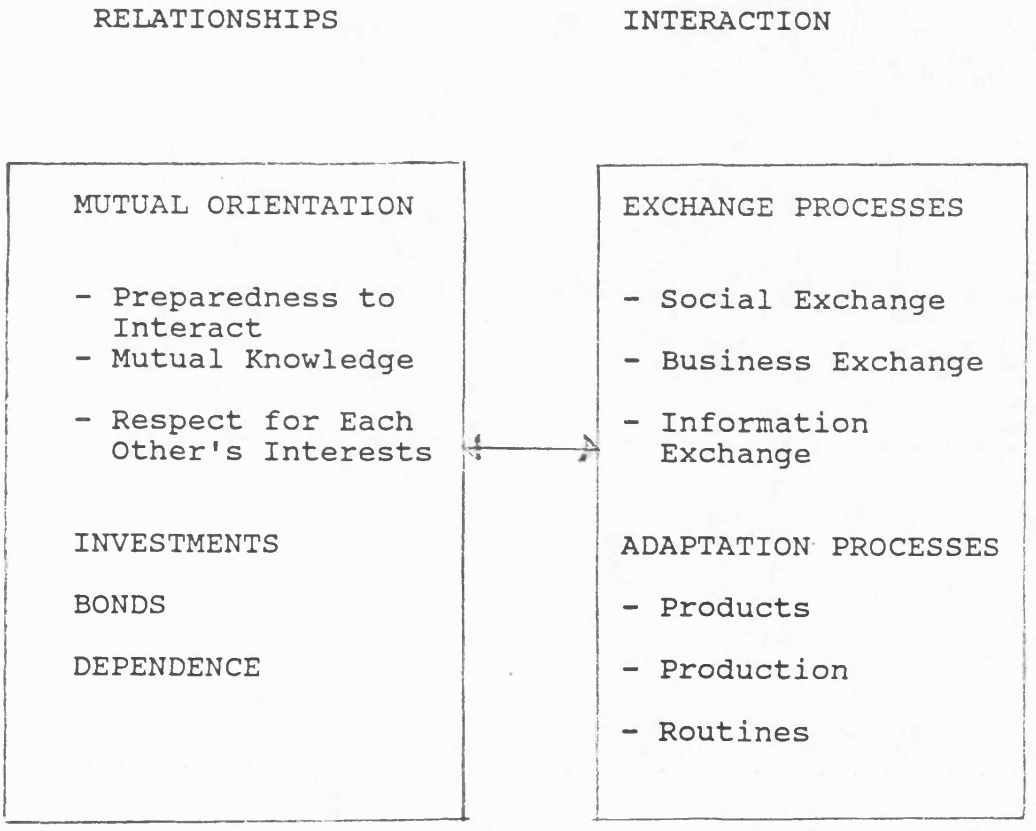
3. Previous Export Experience: Many studies have found that the amount of experience that a firm has in exporting affects its strategies. Experience in

exporting and their resulting knowledge are viewed by managers to be a critical variable. Johanson and Vahlne (1977), for example, state that "experience produces a change and ...the less structured and well defined the activities and required knowledge are, the more important is experiential knowledge"(p.54). The firm's previous export experience can increase both its general knowledge (of exporting) and market-specific knowledge (knowledge about specific countries). Both these types of knowledge are critical to a firm's success in exporting and as Johanson and Vahlne (1977) say, "knowledge can be considered a resource and the better the knowledge about a market, the more valuable the resources and the stronger the commitment to the market" (p.55).

Researchers have also attempted to identify the relationship between experience in exporting and other variables like contact intensity, export profitability, etc. Sood and Adams (1984), for example, found that executives working for companies that have been exporting for longer periods are less likely to collect secondary data or conduct market studies before exporting. Rosson and Ford (1982) found that the company's export experience was related positively with the intensity of contacts between buyers and sellers. The same researchers also found that as the personal

Figure 3.8

Relationships and Interaction in Industrial Networks



Source: Johanson, J. and Mattsson, L-G., Interorganizational Relations in Industrial Systems - A Network Approach Compared with the Transaction Cost Approach, Working Paper, Uppsala University, 1987.

Figure 3.9

Internationalization and The Network Model
- Situations to be Analyzed

Degree of Internationalization of the firm	Degree of Internationalization of the Market (the Production Net)	
	Low	High
Low	The Early Starter	The Late Starter
High	The Lonely International	The International Among Others

Source: Johanson, J. and Mattsson, L-G. Internationalization in Industrial Systems - A Network Approach. In Hood, N. & Vahlne, J-E. (eds), Strategies in Global Competition, Croom Helm, 1988, 287-314.

experience of the parties increased, the relationship between manufacturers and distributors became less formalized and standardized and the level of contact between them decreased. Interestingly, Bilkey (1982) found that the firm's length of export experience was negatively correlated with the perceptions of relative profitability of exporting.

4. Export Channel and Structure: The export market channel and the way a firm organizes itself for exporting (export structure) are variables that may affect a firm's export marketing activities. The manner in which firms organize for exporting - i.e., through a separate export unit/division or through the existing marketing department - has been found to influence the firm's perceptions about exporting. Bilkey (1982) found that firms with a special export marketing department/unit perceived the relative profitability of exporting to be higher than those that had no special internal export unit.

The most common way of looking at export channels has been as independent versus company owned. Thus, most researchers consider this to be similar to a "make or buy" decision which requires a firm to decide on whether or not to go for forward vertical integration in its export markets. Like other channel deci-

sions, the choice of a export channel once made, is very difficult to change.

In spite of the importance of this issue, very few studies in the export marketing or channels of distribution fields have addressed it. Most authors take channels of distribution as givens, choose one particular channel of distribution to study, and examine other issues such as channel conflict and performance. The few that examine the channel issue consider only the impact of one or a few factors while leaving out many others. The research in this area also seems to concentrate on what leads to a particular type of channel being chosen rather than the results (e.g., conflict level) of various types of channel choices. Hence the following section will differ somewhat from the others in this chapter as the factors leading to this organizational variable (i.e., channel choice) rather than its impact on export marketing will be the primary focus of this section. (Some notable exceptions to this are Ayal and Raban (1987), Beamish and Munro (1987) and Reid (1987). Reid (1987) after analyzing the relationship between channel choice and export performance of Italian firms notes that while the exact channel chosen does not seem to affect export performance very much, the presence of multiple channels appears to be beneficial.

Ayal and Raban (1987) also find that different channel choices are likely to be profitable; however, the researchers found that the choice of an export channel affects the success of new product introductions and the effectiveness of various marketing activities). Beamish and Munro (1987) also report that type of export channel chosen does not influence export performance).

The transaction cost approach considers a priori that a firm is better off using independent channel (Williamson, 1981) as this enables it to exploit the specialized knowledge of local distribution specialists. It can also provide economies of scale to all the firms concerned and reduce the responsibility, commitment and risks associated with exporting (Ahmed, 1977). Greater flexibility and the opportunity to replace poor performers have also been suggested as reasons for choosing the independent channel option.

Researchers in the field of export marketing have, on the other hand, stressed the benefits of vertically integrated channels (e.g., Stern & El Ansary, 1982). Various factors have been identified as influencing the choice of a channel of distribution. These are discussed briefly below: (the following section is based upon a discussion of factors influencing channel choice by Anderson & Coughlan, 1987)

(a) Stages in a Product's Life Cycle: Older, established products are more likely to be distributed through independent channels. The reasons provided for this are - (i) greater ease of finding good distributors; (ii) competition among distributors to get a well established product which in turn leads to better performance; and (iii) possible pressures from local governments in some countries to use local distributors/agents when they are plentiful (Davidson, 1982). A study of Fortune 500 companies by Lilien (1979) supports this view.

(b) Service Requirements: When a high level of service is required for a product, the integrated or company owned channel is considered to be more effective.

(c) Product Differentiation: When the final consumers perceive the products offered by a firm to be highly differentiated and unsubstitutable company owned channels are likely to be more profitable (McGuire & Staelin, 1983). This has been supported by a study of 26 electronic firms conducted by Coughlan (1985).

(d) Type of Exchange: When products requiring task specialized knowledge (e.g., specific brand information and confidential information) and strong relationships are exchanged, integrated channels may be required (Anderson, 1985).

(e) Legal Restrictions: Legal restrictions on a firm's operations in the host country may necessitate a particular type of channel.

(f) Presence of Established Channel Arrangements: If the firm already has a channel of distribution in place, it is most likely to use the same one when introducing a new product (Coughlan & Flaherty, 1983; Davidson & McFetridge, 1985).

(g) Related Products: When the new product being exported is related to a firm's existing products, an integrated or company owned channel may be chosen as in such instances, the firm may be more willing to commit resources to establish direct contact with its customers. For unrelated products such a major resource commitment may be considered unnecessary (Davidson, 1982; Davidson & McFetridge, 1985).

(h) Strength of the Patent: Strong patents are considered to affect the export marketing channel choice though the direction is unclear (see Davidson, 1982 and Root, 1982).

(i) Competitive Behaviour: If other companies use a particular channel, a new entrant may also feel constrained to use a similar channel.

(j) Importing Country: Many writers feel that characteristics of the importing country would also influence a firm's export channel choice (e.g., Keegan, 1984; Terpstra, 1983; Thorelli, 1980). The cultural similarity of the importing country with that to which the firm belongs, has been hypothesized to influence the choice of a channel (Davidson, 1982). Culturally similar countries are better entered via integrated channels while entering culturally dissimilar countries may require the use of independent channels with specialized knowledge. This is supported by Bilkey (1982) who found that the channel choices of U.S. exporters varied depending on the country with which they were dealing - independent agents were used more frequently when selling to Japan (a culturally dissimilar country) than when selling to Canada or West Germany (culturally similar nations). Similarly,

Johanson and Vahlne (1985) studied 45 French firms and found that independent agents or distributors were used more often in the case of some countries than others.

In a recent article, Kogut and Singh (1988) state that the greater the cultural distance between the parties, the more the likelihood of joint ventures or wholly owned operations (rather than acquisitions) as the mode of entry into foreign markets.

(k) Product type: Bilkey (1982) reports that using a distributor was the best way to sell consumer products while industrial products were better dealt with through a company's own salesforce.

(l) Managerial Attitudes: Managerial attitudes of export marketing executives was found to be associated with and indicative of the type of channel used by a firm (Brady & Barker, 1980). Further, the above researchers found that when a company owned channel is used, the executives become involved in the business, market and cultural conditions in the target nation.

Thus, many factors have been identified as influencing the choice of an export marketing channel by firms. As mentioned earlier, there is not much research done on this important aspect of export marketing. The existing research also seems to focus on

factors leading to a particular channel choice rather than comparing the performances or outcomes of alternate channel choices.

5.Other Organizational Characteristics: Several other organizational characteristics have been identified by researchers as influencers of the export marketing

activities of firms. Expenditure on R & D activities (Khan, 1978, Schrieve, 1976, Gilman, 1981, Lall and Kumar, 1981), organizational structure and strategy (Johanson and Vahlne, 1985, Bilkey, 1982) organizational goals and level of commitment to exporting (Piercey, 1982, Johanson and Vahlne, 1977) have all been found to influence exporting. For example, Bilkey (1982) found that firms that had an export marketing unit internally perceived the relative profitability of exporting to be higher than those that had no special internal export unit. Higher R & D expenditures were positively correlated with exporting.

II.4.2.Managerial variables

1. Managerial Attitudes: The influence of managerial expectations and motivations on export behaviour has been another major area of study among researchers in this field. Brady and Bearden (1979) for example, did

a study on managerial motivations and choice of alternate methods of exporting. The researchers found that attitudes of executives using direct exporting methods significantly differed from those using indirect methods and from the attitudes of non-exporters.

Managerial apathy was seen as the major reason for not exporting in one study as most of the managers of non-exporting firms admitted that they could export (Simpson, 1973). Several studies have found that managers of exporting firms have more positive attitudes towards exporting and use better management practices than those working in non-exporting firms (Tookey, 1964, Cunningham and Spiegel, 1971, Tesar, 1975, Bilkey and Tesar, 1975, 1977). For example, Bilkey and Tesar (1977) found that firms that were aggressive - i.e., whose first export order was obtained by their own efforts had "much better and more dynamic managements", with "much more favorable expectations regarding the advantages of exporting" and "perceived fewer barriers to exporting" (Bilkey and Tesar, 1977, p.94). The above authors also found that managerial quality and dynamism was the second most important determinant of whether or not a firm began exporting experimentally. The experienced exporters in the study (as opposed to others), had mana-

gers who exhibited "rational decision making" (Bilkey and Tesar, 1977).

Export marketing behaviour of firms has been found to be related to managerial expectations, level of commitment to exporting, and the strength of managerial aspirations (Cavusgil and Nevin, 1981). Managerial expectations regarding the severity of exporting problems were found to be lower for companies that sought export orders than those that did not (Pavord and Bogart, 1978). Bilkey (1982) found that manager's perceptions of the relative profitability of exporting correlated negatively with the firm's length of export experience.

To summarize, there appears to be a significant correlation between managerial attitudes towards and expectations from exporting and actual involvement in exporting. The quality of the management may also influence export behaviour.

2. Managerial characteristics: Other managerial characteristics have also been found to influence the export marketing activities of a firm. Langston and Teas (1976) in a study of small U.S. firms found that having lived abroad and having studied a foreign language while at school seemed to make exporting more attractive to managers. Bilkey and Tesar (1977) also

suggest that "promoting foreign language instruction, foreign visits and international business education" (p.95) may aid in increasing the manager's international interests. Similar findings are reported by Kaynak (1985) in a study of Nova Scotian resource based industries. The above researcher found that managers of exporting firms tended to have travelled more often and more widely to foreign countries. Cavusgil and Nabor (1987) found a significant relationship between managerial expertise in finance and planning and the firm's propensity to export (Cavusgil & Nabor, 1987).

In a study of 89 small indigenous enterprises in Ontario, Canada, Reid (1984) found, however, that managerial characteristics, foreign parentage, spouse, birth and language were not associated with export entry. He also suggests that while these variables may be salient factors they may not be determinant factors and that their effect may be more in the choice of export markets than the decision to start exporting.

To summarize, managerial characteristics like knowledge of a foreign language, exposure to other countries, etc., have been found to be correlated to export entry decisions. However, there are conflicting findings and hence it is probably still too early

to draw definitive conclusions on the nature of the relationship between these variables and export marketing decisions.

III.2.3. Product Related Variables

1. Product Type: The nature of the product has been the focus of research in a few export marketing studies. The IMP group (Cunningham, 1980) studied the effect of both production technology and product type (raw materials, components, capital equipment) on the interaction process. In a study on forecasting methods used in companies, the researchers found that firms with different production technologies and product types employed significantly different purchasing strategies. These differences in purchase strategies were also found to have implications for the sellers. Hallen and Johanson (1984), in a study of Swedish and British industrial suppliers (n=158) again used product type as a variable. The product classification of raw materials, components or capital equipment was utilized and the researchers found that the complexity of the exchange and the dependence among the parties varied with the type of product sold. Complexity was lowest in the case of raw materials and highest in the case of capital equipment while mutual dependence was lowest for component

parts.

The above researchers also found that the production technology of the buyer affected the relationship. Production technologies were classified as batch or mass, process and unit/small batch. It was found that in the case of customers with mass production technology, the technological intensity and customer's domination of the relationship (as evidenced by the extent of the supplier's product adaptations, dependence and delivery frequency) were both high. The buyers with unit production technologies scored lowest on both these dimensions.

In a study of 45 French industrial firms (that sell to German, Italian, British and Swedish firms) Johanson and Vahlne (1985) found that the type of product (i.e., raw material, component parts or capital equipment) affected the organization's export structure. Capital equipment sellers used independent agents or distributors widely, component part sellers a mixture of channel structures or sales subsidiaries, while sellers of raw materials rarely used sales subsidiaries (mixed approaches were common in their case).

All the above studies examined the export marketing of industrial products only. Hence product type

has always been looked at as the type of industrial product that the firms sell. As stated earlier, for many LDCs, it might be more worthwhile to use a different product classification - i.e., industrial versus consumer or traditional Vs non-traditional. The raw materials, component parts, capital equipment classification may not be relevant in the case of most LDCs as LDCs in general export very little of the latter two types of industrial products. Capital equipments, especially, are very rarely exported by LDCs.

There is also some evidence to indicate that export activities and/or strategies may vary for industrial and consumer products. Bilkey (1982) after studying 168 Wisconsin exporters found that direct exporting to a distributor was the most profitable channel for consumer products while exporting directly was the best channel alternative for industrial product firms. The same study also indicated that providing dealer training and support was profitable for consumer product sellers while industrial firms did better when they provided no support for their dealers. The exception was in the case component part manufacturers who seemed to benefit a little from the provision of dealer assistance (missionary salespersons, technical guidance, display assistance, etc).

Thus it might be worthwhile to use a different classification while studying the exporting activities of LDC firms which are new entrants into the industrial exports field.

2. Other Product Related Factors: Several studies have looked at the qualities or characteristics of the product and its relation-ship with export behaviour. Wiedersheim-Paul (1978) and Olson and Welch (1978) found that product-line characteristics affected the pre-export behaviour of the Swedish firms that they examined. Product uniqueness, which is related to the perceived competitive advantage of the firm, has also been considered to be influential in determining export behaviour. Snavely et.al (1964) for example, found that the management's confidence in the firm's competitive advantage was related to whether the product was patented. The above researchers also found that the presence of a patented product was the most important factor that differentiated exporters from non-exporters (Snavely, et.al, 1964). Ayal and Hirsch (1982) also found that product differentiation and success were moderately associated. However, the researchers found that success was greater for firms with moderate, rather than high, product differentiation. Other researchers, notably Cavusgil (1976) and

Welch and Wiedersheim-Paul (1977), consider uniqueness of the product to have a significant influence on export behaviour.

All the factors discussed in the previous pages were related directly to the organization, its managers or the nature of its products. There are several other concepts which originated in the literature on channels of distribution, inter-organizational behaviour and other areas that are very relevant to research on export marketing. These concepts, in general, deal with the nature of the relationship itself or the atmosphere in which transactions between the parties take place. In the following pages, several of these concepts are discussed.

II.2.4. Relationship Variables

1. Distance: Distance between buyers and sellers is an important concept in the interaction approach to buyer-seller relation- ships. Distance is becoming an important variable now due to the increases in international trade. Most western nations are looking at new and relatively unfamiliar markets to increase their international trade. The developing nations are also attempting to find new markets for their products - markets that are often culturally, socially and otherwise very different from theirs. Thus, a firm's

ability to reduce the effects of distance in international trade may assume greater importance in the future, especially for developing nations.

Distance between buyers and sellers has been defined in various ways and there seems to be no single widely accepted definition of the concept. For example, Hallen and Wiedersheim-Paul (1979) define distance as the "difficulty a seller has in perceiving or estimating the needs of a buyer or the corresponding difficulty a buyer experiences in perceiving the seller's offer" (p.66). In other words, they see distance, more specifically psychic distance, as a difference in perceptions and differentiate between inter-country, inter-firm and intra-firm distances.

Psychic distance had been earlier defined as "factors preventing the flow of information between firm and market (Johanson and Wiedersheim-Paul, 1975; p.305). Ford (1980), conceptualized distance as the differences between buyers and sellers. Further, he states that there are different aspects to this concept. According to the above researcher, distance is made up of: (a) Social distance or the unfamiliarity with the other's ways of working; (b) cultural distance or differences in norms and values; (c) technological distance or differences in product and process technologies; (d) time distance or the time between

placing an order and getting the service or product across to the buyer; and (e) geographical or physical distance between parties. Each type of distance is seen to play a major role in different circumstances- for example, technological distance is seen to affect the purchase of innovative products while social distance is viewed to be important in all new relationships.

Reid (1984) defines cultural distance as a "cognitive discriminatory process that mediates information flow between market actors who are spatially separated" (p. 155). The author also suggests that anything that "removes, reinforces, or establishes contactual barriers between markets" will affect market exchanges and thus distance (p.155).

Finally, Hakansson and Wootz (1976) saw distance as the 'difference' between buyer and seller - i.e., differences in language, culture, technology, etc., which act as obstacles to the two parties understanding each other. The authors also view this difference as being reduced by the interaction process itself as it is a learning experience for both the parties.

One type of distance which has not been considered in the literature so far may also play a key role in international trade. This may be termed "political distance" - i.e., the distance or differen-

ces between the political climates in the two countries. de la Torre (1981) calls this "investment climate" and defines it as the sum of those factors that affect risk (other than in a normal commercial sense), on the investment decision which arises due to political risks. This may explain to some extent why countries like the U.S. engage in a high amount of international trade with nations that are highly 'distant' physically, socially and culturally (e.g., Singapore) while not trading as much with certain countries that are relatively closer physically and, perhaps, culturally (e.g., Mexico).

Effects of Distance: Distance is considered to a factor that inhibits international trade (Vahlne and Wiedersheim-Paul, 1973) and negatively affect the success of a firm in exporting (Khan, 1978). Distance between trading partners has also been hypothesized to increase the conflict among them. For example, Ford and Rosson (1980) propose that geographical and cultural distances between buyers and sellers provide an "an opportunity for tension and disagreement" and thus contributes "to the overt conflict that may exist between the companies" (p.262). The same authors also feel that distance, in all its forms, may place a heavy burden on channel members and affect their func-

tioning (Rosson and Ford, 1980). Cultural distance has also been hypothesized to affect the trust between the companies involved which, in turn, can increase the level of conflict (Ford, 1980).

Another variable that distance has been hypothesized to affect is the uncertainty surrounding a relationship. Uncertainty, or the perception of it, is seen to be a function of the quality of the information about the other party and the familiarity about the environment in which the other operates. Data received from unfamiliar, culturally distant areas is always discounted more than that received from familiar sources (Robinson, 1981). This is perhaps why managers tend to postpone investment in fixed assets in a country until they are personally familiar with it - i.e., until the distance between them has been reduced. Uncertainty is also considered to increase when there is a technological gap or distance between the two participants. For example, Levi's did not know whether the Mexicans would be able to handle the production of their product, which increased their uncertainty, and hence decided to reduce it by subcontracting (Mascarenhas, 1982).

Hakansson and Wootz (1976) propose that transaction uncertainty will increase when physical, social and cultural distance among parties is present. As

Hallen (1982) states, trading with other nations requires not only market knowledge but also an understanding of the special transactional problems in international trade. This requires knowledge of trade techniques, quota systems, international chartering, etc. - these are the factors that geographical and time distance may lead to and have to be handled to ensure success of the operation. Distance between trading partners has also been hypothesized to increase the need for interpersonal contacts (Valla and Perrin, 1984). Hakansson, Johanson and Wootz (1976) suggest that social exchange is required to create confidence and this is essential when distance is present. Cunningham (1980) also feels that social exchange becomes particularly significant when spatial or cultural distance between the parties exists. The same relationship between distance and interpersonal contacts was hypothesized by Hallen and Johanson (1984). However, in a study by the above researchers, it was found that more intensive interpersonal contacts were found in situations with lower levels of distance. The researchers consider the lower cost and greater ease of communication (associated with lower physical distance) to have caused higher contact in such cases. It should, however, be noted that all the firms included in this study were European firms and

hence the level of distance between them (culturally or otherwise) is likely to be lower than that faced by other firms involved in international trade.

The nature of the product may also affect the role played by distance in international trade. As Ford (1980) states, when the products exchanged are innovative, technological distance between the parties may become highly relevant. This may be reflected in the extreme difficulties faced by exporters from developing countries in their attempts to export technologically advanced products to the developed world. Higher technological or cultural distance may also necessitate a higher level or intensity of contact in the initial stages. This may also increase the time required to finalize a transaction.

Another aspect of export marketing, especially where cultural distance between parties is present, is the necessity to learn foreign languages. As Hallen (1982) states, mastery of foreign languages is one of the components of one's ability to handle foreign cultures. Active market orientation and effective information exchange in export markets requires linguistic competence to reduce social and cultural distance.

Measuring Distance: While distance has been considered to be a key variable in export marketing by many

researchers, very few have attempted to actually measure it. Hallen and Wiedersheim-Paul (1979) were one of the first (and few) researchers to attempt to measure this concept using a scaling procedure. As noted earlier, their concept of (psychic) distance was one of differences in perceptions between the parties involved at either a national, inter-firm or intra-firm level. Psychic distance was measured by them by looking at (1) the participants' opinions of difficulties in communication due to language problems (2) difficulties in making friends with personnel from the other firm and (3) their feeling of being understood by their partners - all expressed on a five point scale. This is in contrast to the earlier attempts to measure distance by looking at purchasers' decisions when asked to choose between suppliers in a hypothetical situation (Hakansson and Wootz, 1976). In the above study, conclusions about the distance between firms were drawn based on the buyers' selection of suppliers from various countries. Rankings of countries by the researchers had been used in a few earlier studies (Vahlne and Wiedersheim-Paul, 1978, Johanson and Wiedersheim-Paul, 1975).

Hallen and Johanson (1984) measured social distance by estimating the formal or friendly nature of the relationship using the respondents' description of

the relationship. Similarly, the respondents' knowledge of his counterpart was estimated by the researchers and used as a measure of knowledge distance.

While discussing the measurement of distance, it should be pointed out that the perceived distance between two nations or cultures may be quite different from the distance between two individual firms. For example, as Hallen and Weidersheim-Paul (1979) note, most Swedish businessmen consider France as a country that is difficult to deal with. This is due not only to language problems but also to differences in business cultures. However the same authors found that in a specific case, the inter-firm atmosphere was so good that these broad cultural differences between the two countries became irrelevant (Hallen and Wiedersheim-Paul, 1979).

As can be seen, distance has not been measured by many researchers. There seems to be little consensus on what exactly the concept is and how it should be measured. Methods of deducing distance by looking at purchase decisions is subject to considerable rater bias. This may also not take into account the differences between distance at a national level and at a firm level. Estimating distance from respondents' descriptions of their relationship with each other seven more open to subjectivity and bias.

To summarize, distance (psychic, cultural, physical and technological) affects buyer-seller interactions and thus export marketing. More specifically, (1) distance seems to increase the chances of conflict, (2) distance between buyers and sellers may be an even more significant factor when the product is technologically advanced or innovative, (3) reducing distance may reduce the uncertainty faced by buyers, (4) higher distance may require a higher level of contact intensity and social exchange between the parties, and, (5) there is very little agreement on how distance can be measured.

2. Conflict: Conflict has been discussed in great detail in the channels literature. As Stern and Gormon (1969) state, channels of distribution are a form of social system and the actions of one party have consequences for the output of the other. This interdependency forms the basis for conflict in distribution systems. Various causes of conflict have been identified. Role deviance (or deviance from prescribed behaviour), scarce resource allocations, differences in perceptions and expectations, need to control the channel system, conflicting goals and ineffective communication are some of the major causes of conflict.

Conflict is also seen as a process of changes- changes in the task environment, the firms themselves and/or in the relationships between the environment and the parties involved in the exchange. Thus, conflict is viewed as a process of (1) a change that precipitates the conflict relationship and (2) a change in response to the conflict that either resolves it or leads to the disintegration of the system (Stern and Gormon, 1969).

Conflict has been classified into (a) affective conflict - i.e., feelings of stress, tension or hostility toward the other party; (b) latent conflict- i.e., antecedent conditions of behavioral conflict; and (c) manifest conflict or actual conflict behaviour (Lusch, 1976; Gattorna, 1978). Of the three, manifest conflict has been studied more often and is usually operationalized as the frequency and intensity of disagreements (Anderson & Narus, 1984).

Conflict is considered by most researchers to be dysfunctional while a few (e.g., Gattorna, 1978) view it as being beneficial under certain circumstances. Conflict may lead to two types of overt behaviour (1) the exercise of power or (2) inter-organizational change. Power and the exercise of power can thus be a cause of conflict as well as a response to it. Inter-organizational change may take the form of a reapprai-

sal of goals and changes in behaviour. These changes or adaptations can lead to conflict resolution.

Another way of looking at conflict is based on organizational theory literature. Carlson and Kusofsky (1966) classify conflicts as goal conflicts, decision conflicts (which are seen to be reflections of goal conflicts) and communications conflicts (conflicts due to unsuccessful or incomplete information exchange).

Closer to the export marketing literature, conflict has been looked at as a relationship dimension (Ford and Rosson, 1980) and as an atmosphere variable (Cunningham, 1980). Various ways of operationalizing conflict have also been identified. Ford and Djeflat, for example, have operationalized conflict as conflict over contract terms, implementation, technical knowledge, language and cultural differences (Ford and Djeflat, 1982). Conflict has been hypothesized to reduce the success of the relationship (Ford and Djeflat, 1982), and the perceived mutuality of the relationship (Rosson and Ford, 1980).

To summarize, conflict in marketing channels (1) is seen as resulting from the interdependencies between buyers and sellers, (2) can occur due to a variety of reasons, (3) can lead to the exercise of

power (which, in turn, can cause conflict) and inter-organizational changes, and (4) can be dysfunctional.

3. Cooperation: While conflict in channels is considered inevitable at least to some extent or at certain times, channels members generally attempt to increase the level of cooperation in their relationship. As Hallen (1963) says, "channel members usually have more harmonious and common interests than conflicting ones. All members have a common interest in selling the product, only in the division of total channel profit are they in conflict" (p.179). The mutual interdependencies among channel members also make cooperation between them essential for their survival as a system.

As Childers, et. al (1984) state, cooperation in channels has been studied to a lesser extent than conflict. This, according to the above researchers, is probably due to the lack of measures possessing desirable psychometric properties. As these researchers state, cooperation is often seen as lack of conflict and hence is not measured separately (Childers, et. al, 1984). For example, Pearson and Monoky, (1976) and Gattorna (1978) view conflict and cooperation as opposite ends of the continuum. However, some researchers have treated these concepts as distinct

ones (e.g., Mallen, 1963; Stern & Heskett, 1969, Robicheaux & El Ansary, 1976).

Cooperation, like conflict, can be viewed as (a) latent cooperation - i.e., existence of cooperative sentiments or (b) manifest cooperation - actual cooperative actions (Childers, et.al 1984). Cooperation is generally viewed as voluntary, interrelated behaviour to meet individual and common goals.

Cooperation in a channel may mean joint decision-making in areas like selling quotas, studying market potential, inventory planning, promotion, etc. Cooperation can also be shown in the way financial, technical and other areas of conflict are resolved. Single and multi-item scales of cooperation have been shown to be equally effective with high correlation between them (Childers, et.al, 1984).

Recent studies have shown the benefits of cooperation in export marketing relationships. In a study of manufacturers and overseas distribution relationships, (Ford and Rosson, 1980) found that relationships which can be classified as 'growing' show higher degrees of contact, resource exchanges (like promotional assistance), and willingness to modify products and routines to suit the other party's needs. Bargaining in such dyads was also seen to be more fruitful and produced mutually satisfactory solutions.

In a study on the export marketing of higher technology goods where the buyer was from a developing country, Ford and Djeflat (1982) found that cooperation and success (measured in subjective terms) were positively correlated. The sellers in particular, showed highly positive correlations between cooperation and success in terms of repeat business.

To summarize, (1) cooperation among channel members is fairly common, (2) cooperation is seen as essential for the system's survival, (3) success and cooperation are positively correlated, and (4) cooperation can be achieved through joint decision making and resource exchange.

4. Power: Power in distribution channels has been studied in detail by many researchers. While there is still no one generally accepted definition of power, it has been viewed by most researchers as the ability to influence the other channel member's behaviour and/or decision variables (see, for example, Beier & Stern, 1969; El Ansary & Stern, 1972; Wilkinson, 1972). This interpretation of the concept of power has led to it being measured by asking the target the amount of control the source has over specific decision variables - i.e., power is measured frequently through a respondent's perception of the power attri-

buted to the other channel member. The actual number of decision variables has varied from one study to another - Hunt and Nevin (1974) used control over 7 decision variables while Lusch and Brown (1982) used 15 decision variables.

Another accepted way of defining power has been through the dependence of one party on the other. Thus power has been defined as "power of O over P is equal to and based upon, the dependence of P upon O" (Emerson, 1962, p.32). Thus the dependence of each on the other channel member has been given as the causal explanation or antecedent of power (Pfeffer & Salancik; Cadotte & Stern, 1979; Stern & Reve, 1980; Stern & El Ansary, 1982). Dependence of A on B is seen as being "directly proportional to A's motivational investment in goals mediated by B, and inversely proportional to the availability of those goals to A outside of the A-B relation" (Emerson, 1962, p. 32). Thus dependence in a channel setting is based on the investment a party has made into the relationship, the importance of the relationship to the party and the availability of alternatives to it.

In this study, Emerson's (1962) definition of power will be used. Thus the power of one party will be viewed as being equal to, and based upon, the dependence of the other.

The study of power in channel settings has followed the study of power at an individual level and the concepts of power in channels are similar to those used in the sociology and organizational behaviour literature. This is based on the assumption that an individual organization, like an individual, has a distinct personality and a set of needs and wants. Thus a channel situation is seen as analogous to an interpersonal relationship (Beier and Stern, 1969).

Power is seen to be based on several things: rewards, coercion, expertness, legitimacy and/or identification. Rewards in a channel situation might be higher margins, allocation of promotional allowances, assistance in selling and management, better service, etc. Coercion is based on punishment and in a channel context often materializes as threats of forward or backward integration.

Expert power in a channel is considered to be widespread. Wholesalers and manufacturers often provide retailers with advice on sales training, promotional aids, et. At the same time, retailers are in a favorable position in the channel due to their closeness with the consumer. As March and Simon (1958) state, a great deal of "influence is exercised by those persons who are in direct contact with some sort of 'reality'" (p.165). In a channel context the

retailer has the final contact with the customer. It is also implied in the literature on power that expert power can be exercised by any channel member by gathering, interpreting and transmitting valuable market information.

Legitimate power in a non-integrated channel is difficult to achieve as there is no formal hierarchy. However, a firm may be perceived as having legitimate power due to its size or position in a channel. Legitimate power can also occur through the action or protection of a governmental agency. Referent power or identification power (which are linked) is difficult to pinpoint in a channel, especially without being linked to another power base. (The above discussion is based on the article by Beier and Stern, 1969).

Power in a channel context is considered to be part of the "atmosphere" in which a relationship occurs (Cunningham, 1980) and has been related to the size of the party involved, the stake in the relationship, etc. Power-dependence relationships in exporting have also been hypothesized to be affected by mutual adaptations by the two parties involved and the degree of social exchange between them (Hakansson and Ostberg, 1975).

Power has been viewed both as a mechanism for conflict management (Etgar, 1978) and as the source of conflict (Lusch, 1978). The relationship between power and conflict may be mediated by the type of power used. Lusch and Brown (1982) for example, suggest that the use of noncoercive power would result in the target assimilating the goals of the source and hence may lead to more beneficial results.

An interesting relationship between power-dependence and profitability was noted by Beamish and Munro (1987). The above researchers found that the higher the dependence of the exporters (measured as percentage of exports through one channel) on a channel the more profitable the channel appeared to be. The higher dependence perhaps makes the exporter work harder at resolving conflicts that arise in the channel.

To summarize, (1) power is a common feature of inter-organizational relationships and follows the same patterns or bases as in interpersonal relationships, (2) power can be classified into five types-reward, coercion, expert, legitimate and identification. Of these, the first three are probably more relevant in a channel context, (3) power-dependence relationships affect the atmosphere in which an interaction takes place, (4) power can be exercised in a conflict situation (from the previous section on

conflict) and may result in the resolution of conflict or further conflict, (5) power has been measured in two ways - either as attributed ability to affect another's behaviour or decision variables or as the dependence of one party on the other. The first leads to power being operationalized as perceived ability to control while the latter leads to measuring the importance of the relationship to the target and the alternatives available to it.

5. Uncertainty: Uncertainty has been a key variable in export behaviour literature, especially in the interaction models. For example, Ford and Rosson (1980) include uncertainty as a participant dimension while Hakansson and Ostberg (1975) see perceived uncertainty (arising from situational variables like firm, exchange and environmental characteristics) as influencing the degree of social exchange and adaptations shown by the parties.

Uncertainty has been classified into three types by Hakansson, Johanson and Wootz (1976): (1) uncertainty arising out of difficulties in interpreting the needs of the other firm (2) market uncertainty or uncertainty arising out of differences between suppliers (or buyers) and their changes over time and (3) transaction uncertainty or problems of getting the

product from seller to buyer. Ford and Rosson (1980) on the other hand, look at uncertainty in the context of the future of the relation-ship and measure it as future plans and changes in the industry. Uncertainty is hypothesized by the above authors to decrease with experience and availability of information.

Hakansson and Ostberg (1975) relate uncertainty to the complexity of the exchange between two parties. Complexity itself is seen to be a function of product sophistication. The above researchers classify situations into high, moderate and low uncertainty situations. They suggest that different strategies (in terms of degree of standardization, specialization, formalization, centralization and configuration of marketing functions) may be required to handle different degrees of uncertainty.

Mascarenhas (1982) studied ten multinationals in an attempt to identify the strategies used by these firms to cope with the uncertainty in international business. He identified four strategies - use of sophisticated forecasting techniques to reduce uncertainty (prediction); risk insurance that may be available in certain instances; increased control through integration and increasing the flexibility of the firm (e.g., multiple markets, decentralized decision making etc.). He also identified five types of uncertainty-

political, foreign exchange, input, production and output uncertainty. Each type of uncertainty is hypothesized to need a different type of strategy.

Nystrom (1974) sees uncertainty as the gap between a decision maker's cognitive structure and his belief in this structure. In other words, if a decision maker is not convinced that his image of the problem area is adequate to arrive at a decision, a gap between the two (or uncertainty) exists. Uncertainty is hypothesized to decrease with increases in the differentiation (or degree of detail that a structure contains) or causal linkages (interrelationship between the elements). This is expected to occur with increased information availability.

Uncertainty has also been related to the concepts of power and conflict. Stern and Heskett (1969) for example, see uncertainty absorption as a key conflict management mechanism. The use of power - especially noneconomic bases of power has been seen as a way of absorbing the uncertainty surrounding a relationship. The use of economic power, on the other hand, is viewed as slightly accentuating a channel member's perceptions of uncertainty (Koenig, Kroelen & Brown, 1984).

To summarize, (1) uncertainty is seen as a key variable that influences the relationship between buy-

ers and sellers; (2) it is hypothesized to decrease with increases in experience and information availability; (3) it may affect the actions or strategies used by firms to deal with different situations; (4) there does not seem to be much agreement on how to measure this concept; (5) there is no single, widely accepted definition of uncertainty; and (6) uncertainty is hypothesized to be caused by many factors.

6. Adaptations: This, again, is a major concept developed in the interaction models of buyer-seller relationships. A key feature of the interaction approach has been the idea that rather than the buyer being a passive partner in the relationship and the seller the autonomous actor, both buyers and sellers adapt or change as the relationship progresses.

Adaptations have been defined as durable, transaction-specific investments (Williamson, 1979). Thus, they are not seen to be entirely transferrable to other relationships (Ford, 1980). Researchers in the IMP group (Cunningham, 1980) consider adaptations to be part of long-term relationships between buyers and sellers. This is seen to be a result of short term exchanges of product, finances, information and social contact. Adaptations are seen to include standardization of the relationship and reciprocity

between the parties (Ford and Rosson, 1980). Other researchers have looked at adaptations as being either of a technical nature (i.e., product related), or non-technical nature (i.e., distribution arrangements, stock holding, etc) (Hallen and Johanson, 1984; Arnaud and Valla, 1984). Increased adaptation - technical or nontechnical - is seen to be an indication of higher commitment to a relationship.

Arnaud and Valla (1984) see the number and type of adaptations that may be required in a relationship to be related to the complexity of the relationship. The complexity of a relationship is seen to increase as the technical complexity of the product increases (Cunningham and Turnbull, 1982) and hence more adaptations may be required for the exporting of technically complex products. In examining the relationships between British German and Swedish firms and their buyers in France, Germany, Italy, Sweden and the United Kingdom, Hallen, Johanson and Mohammed (1987) found a strong relationship between product complexity and adaptations.

To summarize, (1) adaptations are changes that the parties involved in the exchange make; (2) adaptations are seen as part of long term relationships; (3) adaptations can be of either a technical or non-

technical nature; (4) there is some disagreement on the terms involved (see, for instance, the differences in the definitions of Ford and Rosson (1980), Hallen and Johanson (1984) or Arnaud, et.al (1984)) and (5) the volume of adaptations required is seen to be function of the complexity of the relationship and the product.

7. Complexity: A system or relationship is defined as being complex when a "large variety of interconnected components or elements, each of them defined as a specialized function" exists (Arnaud, et.al, 1984). The interconnectedness of buyer-seller relationships will then be reflected in the exchanges between them- the higher the intensity, frequency and importance of the exchanges, the greater the complexity of the relationship. The type and number of adaptations required have also been related to complexity which, in turn, has been found to vary depending on the nature of the production process and the product exported, (i.e., components or semifinished products), the age of the relationship, essentiality of the product, market conditions, size of the firms involved and a few other variables (Arnaud and Valla, 1984). Another study found that the nature of the product sold (i.e., component, raw material or capital equipment) also

affected the complexity of the exchange (Hallen and Johanson, 1984). Capital equipment sales were characterized by the highest degree of exchange complexity, while raw materials showed the lowest degree of exchange complexity.

8. Stake: A firm's stake in any relationship with another organization has been defined as "what a party (or the parties) stand to lose if the relationship is terminated" (Ford and Rosson, 1980). Previous studies (e.g., Terpstra, 1972, Rosenberg, 1969) have shown that stake is an important variable in buyer-seller relationships. In the interaction models, stake is seen as a variable that affects the atmosphere in which buyer-seller relations occur (Cunningham, 1980) and is often considered as reflecting the dependence that a party has on a relationship. Thus, reducing stake (or dependence) on a particular channel is seen to be a way of increasing a firm's power in a relationship (Etgar, 1976, Ford, 1978). Due to this relationship between stake and power, quite often measures of stake have been utilized to indicate a party's power (or dependence) in international trade.

Stake in a relationship and the conflict level in it have been found to be positively correlated. Rosson and Ford (1980) for example, found that a sel-

ler's perception of the importance of a buyer to its operations was consistently and significantly associated with the level of conflict that the firm experienced. Also, the longer the seller felt it would take to replace the buyer, the less frequent the disagreements with that buyer were.

Stake has been measured in many different ways. Percentage of sales accounted for by the buyer, ease in finding another buyer, competition in the market and perceived importance of the buyer, have all been used to measure this variable. There is some indication that the measure used may influence the results of a study significantly. Rosson and Ford (1980) found that the association between different measures of stake and conflict were markedly different.

To conclude, stake has been hypothesized to affect other variables like conflict and power and no single measure of this variable has been arrived at yet.

III.2.5. External Variables

1. Importing Country: The nature of the country to which a firm exports its products can be seen logically to be a key variable in export marketing. Countries differ considerably on various dimensions like the market structure, size, potential, cultural

and physical distance, riskiness, etc., and all these factors may influence a seller's strategy while exporting. Bilkey (1982, 1987) looked at U.S. exporters who exported to different nations - Canada, Japan, Mexico, the U.K. and West Germany. The findings indicate that the kind of export channel could vary by country. Japan, for example, was found to be a country in which selling directly was not profitable while in Canada, Mexico, Germany and the U.K. the opposite was true. Similarly, there was little consistency among the countries regarding the kind of dealer support required implying that the profitability of dealer support has to be measured on a country by country basis (Bilkey, 1982, 1987).

In another study by Johanson and Vahlne (1985) of 45 French firms, differences in strategies based on country of import was examined. Two subgroups were found among the importer countries - Germany, Italy and the U.K. formed the first group and Sweden the second. Independent agents or distributors were used in the case of Sweden more frequently than with the other countries. However, in general, the researchers found more similarities between the strategies to the countries than differences. They concluded that the French firms look at export strategy from a long term

point of view and hence are less affected by short term variations in each environment.

The contradictory nature of the results may be due, at least in part, to the types of importing countries that were included in these studies. The first study included countries with more differences among them especially from the point of view of the sellers (i.e., U.S. firms). Canada is a culturally, economically and physically close country to U.S. firms. United Kingdom and West Germany are relatively less close; Mexico, while physically close, is distant on all other dimensions and Japan is probably distant in all ways. In the case of the second study, the sellers were French and the buyers were from countries that are physically and culturally closer to the sellers than those in the first study. Hence the variations found were also lesser. It is noteworthy that even in the second study, the sellers' strategy differed in the case of Sweden - country that was the least close physically to them.

Country of origin of the buyer has also been found to influence negotiations between the parties (Ghauri, 1988). In a study on negotiations between Swedish firms and their buyers, the above author found that processes varied depending on the country of origin of the buyers. In general, negotiations were

found to be more conflict prone when the buyers were from developing countries (than from Sweden itself). When the buyers were from India or Nigeria, the longer it took for the negotiations to move from one stage to another, the higher the likelihood of conflict was found to be (Ghauri, 1988).

Buzzell (1988) notes that differences among countries in stages of economic and industrial development also have a great impact on the marketing strategies of firms. Thus, overall, it seems reasonable to conclude that country of origin of the importer may be a key variable in exporting, especially when the buying countries are very different from each other. When the buyers are from developed as opposed to developing countries (and the seller is from a developing country), one may find more significant differences.

2. Other External Variables: External variables like government agencies and industrial association have also been seen as change agents that influence a firm's export behaviour. Welch and Wiedersheim-Paul (1977) for example, see external stimuli like government stimulation to be major determining factors of pre-export behaviour. Competition in the industry is also seen as a major determinant of export behaviour (Tesar, 1975).

Many researchers have found that quite often firms get involved in exporting mainly because of unsolicited orders from buyers (Perkett, 1963; Simmonds & Smith, 1968; Snavely, et.al, 1964; Tesar, 1975; Pavord & Bogart, 1975; Welch and Wiedersheim-Paul, 1977). In other words, the primary stimulus for exporting is often something outside the firm. Thus external factors also seem to play a role in the export marketing activities of firms.

Comments on Micro Level Research on Exporting

The above section looked at the different variables or concepts that have been identified in the literature as being relevant for the study of buyer-seller relationships. These were broadly classified into five categories: organizational, product related, managerial, relationship related and external variables. In most instances, the studies quoted have tried to identify the effects of a few of these variables on the decision to enter the export market and/or export performance. Correlation analysis has been the most frequent form of analysis used in these studies. In a few instances, the results have been contradictory (e.g., size of the firm and export entry/performance) but in general, there seems to be

some agreement on the direction of the correlation between two variables.

The number of variables identified makes it extremely difficult for any one research project to identify the effects of all these variables on the export behaviour of firms. It is obvious that choices will have to be made on the number of variables that can be included in a study such as the present one and this will be discussed later when details of the research model to be used in this are provided.

Another point worth noting, is the lack of agreement on the measures that are to be used in the operationalization of these variables. Some variables have not been operationalized by many researchers (e.g., distance) and there is little agreement in how the rest should be operationalized. This may necessitate multiple measures of a few of the variables with the identification of the most effective measure of operationalization to be left to a later stage in the analysis.

As mentioned earlier, the focus of the research studies quoted here has been varied - some have focused on export entry decisions while others have looked at export performance. The present study is more oriented toward export performance or outcomes of export behaviour. This may make some of the variables

discussed above less relevant to the present study. It also makes hypothesizing about the effects of some of these variable on export outputs/performance more difficult as they have not been studied from that aspect before. For example, most of the research on the effects of age of the firm on exporting has concentrated on whether age influences the decision to enter the export market, the attitudes of a firm's managers towards exporting or the type of decision making processes used in these firms. The effects of age of the firm on output variables like profit, perceived success in exporting, etc., have not been looked at before. Table 3.1 provides a summary of the variables discussed in this section.

In the next chapter, the research model to be used in the present study, the research methodology, and the variables to be examined will be discussed.

Table 3.1: Summary of Factors Influencing Exporting

Variable	Major Findings+
I. Organizational Variables:	
1. Size of the Firm	Smaller firms are less export oriented (Perkett, 1963; Tookey, 1964; Hirsch, 1971; Cavusgil, 1976) Smaller firms collect less market information (Sood & Adams, 1984) (contradictory findings exist - e.g., Snaveley, et. al, 1964; Bilkey & Tesar, 1975, Reid, 1984)
2. Age of the Firm	Younger firms export larger percentage of sales (Ursic & Czinkota, 1984) Age affects type of adoption process used (Lee & Brasch, 1978)
3. Previous export experience	Mkt knowledge increases with experience* (Johanssson & Vahlne, 1977) Intensity of contacts increases with experience (Rosson & Ford, 1980) Conflict decreases (Rosson & Ford, 1982)
II. Managerial Variables:	
1. Attitudes	+ve attitudes lead to increased exports (Tookey, 1964; Tesar, 1975, Bilkey & Tesar, 1975, 1977) +ve attitudes lead to fewer barriers to exporting being perceived (Pavord & Bogart, 1977) Differences in expectations (from exporting) between active and reactive exporters exist (Bilkey & Tesar, 1977) -ve attitudes reduces firm's probability of exporting (Simpson, 1973)
2. Managerial characteristics	Knowledge of foreign languages increases attractiveness of exporting (Langston & Teas, 1976; Bilkey & Tesar, 1977) Foreign birth & experience increases success Langston & Teas, 1976) (Contradictory findings - e.g., Reid, 1984)

Source: Compiled by the author

III. Product Related Variables:

1.	Product type	Dependence & complexity varies with product type (Hallen & Johansson, 1984) Type of channel and channel strategy was affected by product type (Bilkey, 1982; Johansson & Vahlne, 1985)
2.	Product Uniqueness	Is a differentiating factor between exporters and non-exporters (Snavely, et.al, 1964; Cavusgil, 1976; Ayal & Hirsch, 1982)

IV. Relationship Related Variables:

1.	Distance	Inhibits international trade* (Vahlne & Wiedersheim-Paul, 1973) Reduces trust* (Ford, 1980) Increases conflict* (Ford & Rosson, 1980) Increases uncertainty (Hakansson & Wootz, 1975, Robinson, 1981; Mascarenhas, 1982) Increases the need for personal contacts* (Hakansson, Johansson & Wootz; 1976; Cunningham, 1980; Valla & Perrin, 1984 - contradictory finding by Hallen & Johansson, 1984) Reduces Success (Khan, 1978)
2.	Conflict	Reduces success (Ford & Djeflat, 1982) Reduces mutuality of a relationship (Rosson & Ford, 1980)
3.	Cooperation	Increases success (Ford & Rosson, 1980; Ford & Djeflat, 1982)
4.	Uncertainty	Affects strategy (Mascarenhas, 1982) Decreases with experience (Ford & Rosson, 1980)
5.	Adaptations	Varies with complexity* (Cunningham & Turnbull, 1982; Arnand & Valla, 1984) Increases in adaptations indicate increases in commitment to the relationship* (Cunningham, 1980)
6.	Complexity	Varies with product type (Hallen & Johansson, 1984)

		Leads to increases in uncertainty* (Hakansson & Ostberg, 1975)
7.	Stake	As stake increases, conflict will decrease Rosson & Ford, 1980) Decreases power (Etgar, 1976) Type of measure used affects results (Rosson & Ford, 1980)
IV. External Variables:		
1.	Importing country	Type of Channel is affected (Bilkey, 1982; Johansson & Vahlne, 1985)
2.	Competition	Increases interest in exporting (Tesar, 1975)

+ Names of the researchers are provided in parentheses

* Indicates that it is a hypothesized relationship

CHAPTER IV

RESEARCH MODEL AND HYPOTHESES

IV.0: INTRODUCTION

The review of the relevant literature provided in the previous chapter forms the basis for the research model to be presented in this chapter. In addition, this chapter also discusses the hypotheses to be tested in this study.

The proposed model of export behaviour is derived from the interaction model of the IMP group and modifications that have been made to it by other authors. The interaction model was chosen as the basis due to several reasons. Firstly, as Webster (1984) notes, "the central focus of industrial marketing should not be on products or on markets but on buyer-seller relationships" (p). This study is on exporters from developing countries and their customers who are intermediate customers (i.e., retailers, agents, wholesalers, etc.) or manufacturers. Thus the firms in this study are involved in business-to-business marketing. In other words, these firms sell to other organizations and hence it is felt that a model concentrating on relationships between the parties rather than the

typical consumer behaviour models would be appropriate in this case.

Secondly, in the international context, it might be more fruitful to look at buyer-seller relationships as an exchange process rather than the traditional "active seller - passive buyer" models. This is because in international marketing, especially during the early stages of internationalization, the interaction between the suppliers and buyers is often the most crucial factor. This is probably even more important in the case of developing country exporters as these firms are more dependent on their customer-firms than their developed country counterparts (Wortzel & Wortzel, 1981). As the above researchers note, developing country based exporters are reactive in their approach to exporting (rather than proactive) - especially in the initial stages of exporting and hence, the buyers often take a more active role in such relationships (Wortzel & Wortzel, 1981). Third, the interaction model, unlike most others, recognizes the long term aspects in a buyer-seller relationship that are critical for its success. In other words, marketing is not viewed as just the manipulation of the four 'P's of marketing (or the marketing mix variables) but as the effective maintenance of long-term, relationships. This makes it more suitable in the international mark-

eting context as these relationships are often long term exchanges rather than discrete selling episodes.

An interaction model was chosen over the evolutionary or stages of internationalization models for various reasons. To begin with, the present study is not aimed at identifying why firms get involved in exporting - which is a major objective of studies using stages of internationalization models. Secondly, the objectives of the study did not include an examination of how firms move through the various stages (or levels) in exporting. In other words, the present study does not seek to identify the causes of movement from one stage to another among developing country exporters.

As mentioned earlier, the major objectives of the study are to examine the role played by two variables - i.e., the nature of the product being exported and the importer's country - on buyer-seller interactions from the point of view of developing country exporters. Thus, the emphasis of this study is on examining the existing relationships between developing country exporters and their buyers rather than on their reasons for exporting or how they move from one stage of exporting to the other. Hence it was decided to use a interaction model for the present study.

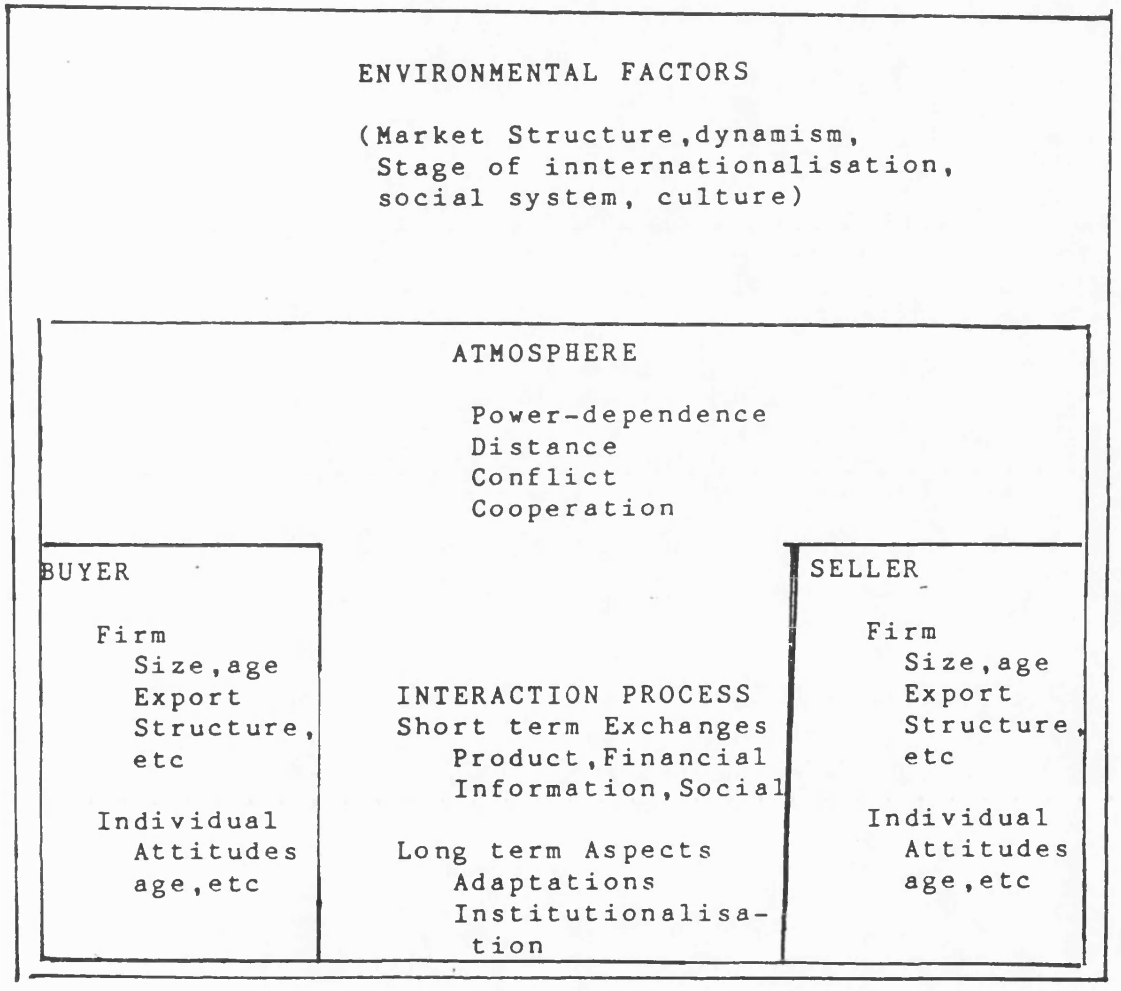
The proposed model is based on the IMP model and its modified version suggested by Hallen and Johanson (1984). As noted in the previous chapter, the model suggested by the above authors focusses on the strategic choices of the parties involved. (For ease of reference, the Hallen and Johanson (1984) model and the IMP model are provided in the following pages). Hallen and Johanson (1984) state that the supplier's choice of strategy is likely to be more limited that previously assumed. The above researchers consider the supplier's strategy to be limited by the environment in which the relationship takes place and the characteristics of the parties involved. The focus of this project is also on understanding the impact of two contextual variables on the relationship - i.e., product type and importing country - between developing country based suppliers and their buyers. The present model which is based to a great extent on the Hallen-Johanson model was developed to aid in achieving the goals of this study.

IV.1. THE RESEARCH MODEL

In this section, the model to be used in this study and the reasons for using it are discussed. The basic elements of the model are provided first and this is followed by a more detailed discussion of its

Figure 4.1

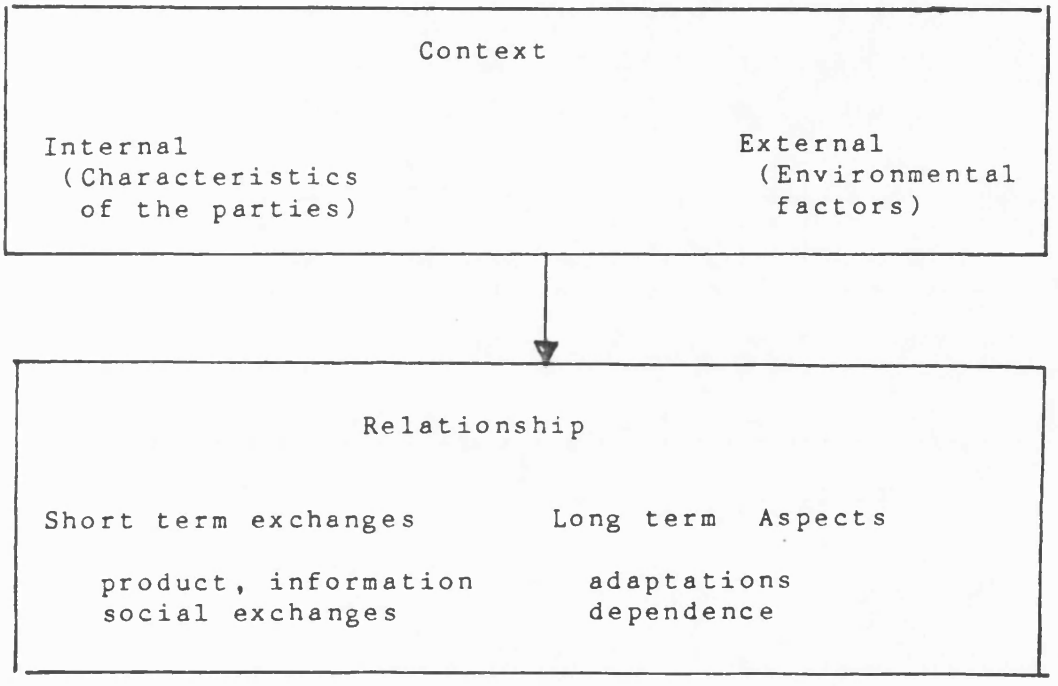
The Interactive Model of the IMP Group



Source: Cunningham, M. International Marketing and Purchasing of Industrial Goods - Features of a European Research Project. European Journal of International Marketing, 1980, 322-36.

Figure 4.2

Hallen and Johanson's Context-Relationship Model



Source: Hallen, L. and Johanson, J. Dimensions of Customer Relationships of Swedish and British Industrial Suppliers. Paper presented at the Conference on Research Developments in International Marketing, UMIST, 1984

various elements. As will be seen, the model is primarily a descriptive model. Given the objectives of the present study and the preliminary stage at which the research on exporting from developing countries currently stands, it is felt that a descriptive model is suitable for the present study.

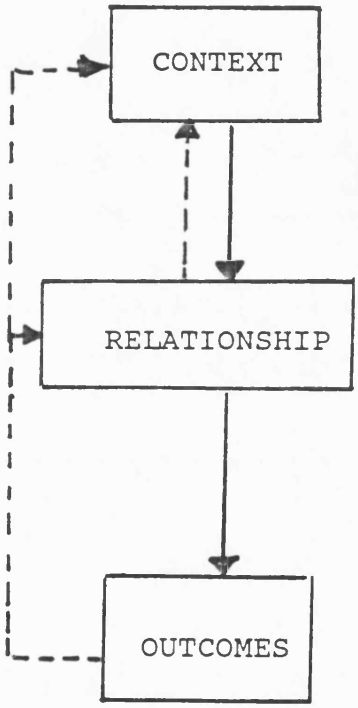
IV.1.1 The Basic Model

The model begins with the context in which a relationship takes place (see Figure 4.3). The context of the relationship forms a backdrop or a setting which affects the way a relationship develops. As Hallen and Johanson (1984) state, "relationship are influenced by their context" (p. 186) and the context acts as a constraint to the relationship that evolves between buyers and sellers. Thus the context is seen as molding and in many ways restricting the relationship that develops between the parties.

The relationship that develops between buyers and sellers is the next major part of the model. It is through the management of the relationship that the firm achieves its goals. In other words, this includes the strategic choices that a firm has to make regarding the management of an export relationship. The relationship itself is seen to consists of both

Figure 4.1

The Basic Model



Source: Compiled by the author.

short term exchanges between the parties and certain long term aspects.

The relationship may affect some of the context variables over time. Based on how the relationship develops, a firm may, for example, try to alter some of the factors that constrain or mould a relationship. Thus, for instance, if a firm finds that its information exchange processes (a relationship variable) are too complex, it may try to change its export organization structure (a context variable). Hence the feedback loop in the diagram between the two cells in the model.

Finally, we come to the outcomes of the relationship - the results that the suppliers experience due to their interactions with the buyers. The outcomes may be positive or negative, and may be seen from a subjective or objective point of view. These outcomes may in turn lead a firm to change certain relationship variables or even make it attempt to change the context variables. For example, if the outcome of a relationship is negative, the firm may attempt to change a context variable - e.g., its export structure - or a relationship variable - e.g., information exchange. This is indicated by the feedback lines between the cells.

Each major section of the model is discussed in more detail below.

IV.1.2. The context

Following Hallen and Johanson (1984), the context in which the relationship takes place is seen as consisting of internal and external constraints. Internal constraints are those that are within a firm and can be further subdivided into two - organizational and individual. The first includes variables like the size of the firm, its organization structure, the product exported, export experience, etc. The second refers to the characteristics of its managers - e.g., age, education level, foreign experience, etc. The internal constraints - both organizational and individual -are seen to be variables that the firm has a higher degree of control over - at least when compared to the other variables. While the firm may not be able to alter all of these, most of these constraints can be altered to some extent by the firm in the long term. For example, a firm can decide to change its organization structure to facilitate its operations, change production processes, and/or increase its production capacity. Some of the internal constraints are the results of the firm's past actions (e.g., export experience). The internal constraints in the

present model are similar to the 'supplier characteristics' mentioned by Cunningham (1985) and formed part of the initial IMP model (in which it was called "Interaction party - supplier organization and individuals" - Cunningham, 1980).

The second set of constraints - external constraints - also mould the relationship that develops between the parties. These include: (a) environmental characteristics such as market structure, competitive activity, government regulations, etc., and (b) Buyer's characteristics - e.g., size, managerial attitudes, organization structure, country, etc. Both these sets of variables, it is felt, are things that the selling firm has limited control over - even in the long term. They are, in other words, 'external' to the firm. While a firm's perception of these variables may affect the relationship - both short term exchanges involved in it and its long term aspects - these are variables that a firm has to consider as 'givens'.

Both the internal and external constraints combine to form the context in which the relationship develops. In other words, these contextual variables affect the nature of the relationship between the parties. For example, internal variables like the size of the firm, the product it produces, etc., may

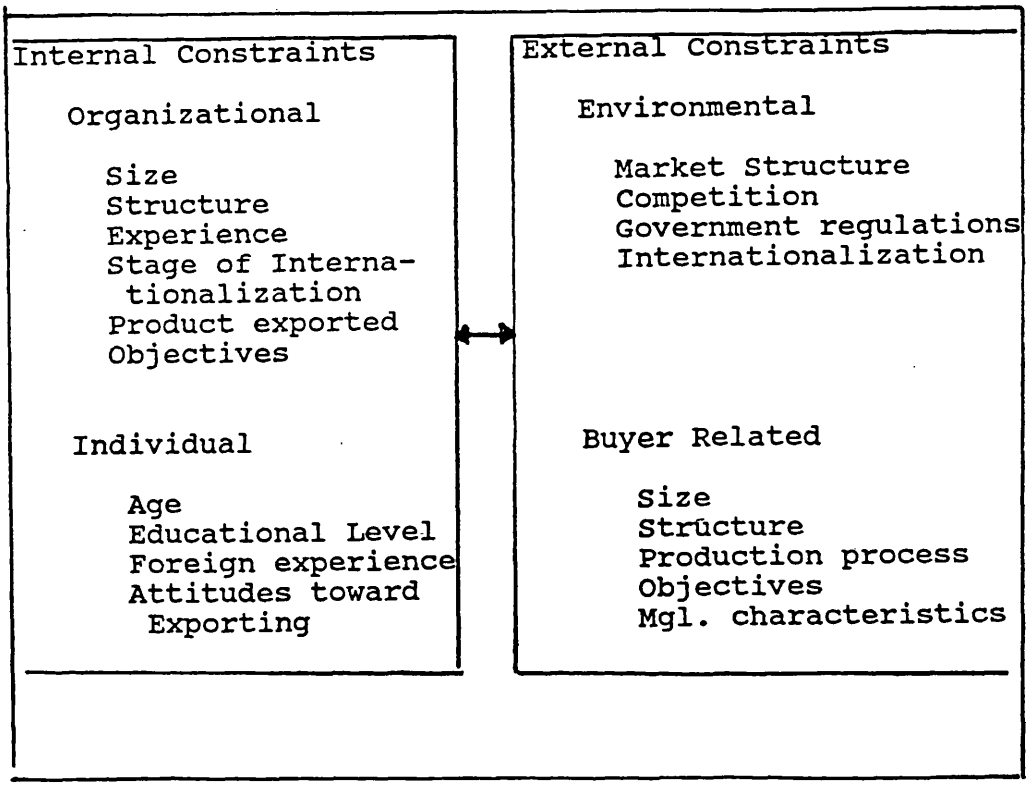
affect relationship aspects like the type and extent of information exchange. The same can be said of the other set of context variables -i.e., the external factors. For instance, the level of competitive activity in the seller's country may affect the services it may be willing to provide, the price it charges, etc. Again, this follows the basic IMP model in which the characteristics of the interaction parties and the interaction environment are considered to influence the relationship and its atmosphere (Cunningham, 1980). The modifications made to the IMP model (see Hallen and Johanson, 1984, Cunningham, 1985) also suggest a similar relationship between these context (internal and external) variables and the relationship itself. Figure 4.2 provides details of the context variables.

IV.1.3. The Relationship

The relationship that develops between the parties can be subdivided into short term exchanges and long term aspects. The short term exchanges between the parties can be of four types - information, product, financial and/or social exchange. As Hallen and Johanson (1984) state "from a management point of view these deserve particular attention as it

Figure 4.4

The Context



Source: Compiled by the author.

takes time and efforts to exchange" (p. 186) information and other things.

Product exchange includes the delivery frequency and software and service components of the exchange. Social exchange describes the informal and/or formal interactions that take place between the parties outside the job context. Financial exchange is the exchange of money, credit terms offered and investments made by one party in the other's business. Information exchange is seen to include the exchange of information through various means of communication such as the telephone, telex, mail, etc.

As discussed in the previous chapter, the exchanges between the parties are critical and when managed properly can contribute to the success of the relationship. For example, as Cunningham (1982) states when the products exchanged are standardized, well established or technically simple, purely commercial, impersonal and unidirectional information exchange may be all that is required. However, as the product characteristics change, so would the information and social exchange requirements.

These exchanges are also included in the basic IMP model (as short term aspects of the interaction process) and in the Hallen and Johanson model. As in the Hallen-Johanson model, the present model also

considers these exchanges processes and the relationship between the parties to be closely interrelated that they are treated as part of the relationship itself.

The second subgroup of relationship variables are called the long term aspects of the relationship. These aspects of the relationship evolve over time as the parties continue their relationship with each other. Thus they are seen as the results of several short term exchanges between the parties. Included here are conflict and cooperation between the parties, the distance between them and the power-dependence in the relationship. Cooperation here refers to the degree of joint decision making and perceived flexibility in the relationship while conflict refers to the disagreements between the parties over various aspects of the exchange. Distance is the social and cultural differences between the parties. Power refers to the ability of one party to control or influence the other. In an export marketing setting, this often arises from the dependence of one party on the other for its business activities. Besides these variables, the adaptations that each party makes as the relationship progresses is also included under long term aspects. For example, changes in production processes

to suit a buyer's needs would be considered as an adaptation by the seller.

As already noted, these long term aspects arise from past exchanges between the parties and tend to influence the ongoing exchanges between them. Thus, the short term exchanges and the long term aspects of a relationship are seen to influence each other. This is shown through the double headed arrow between them in Figure 4.3.

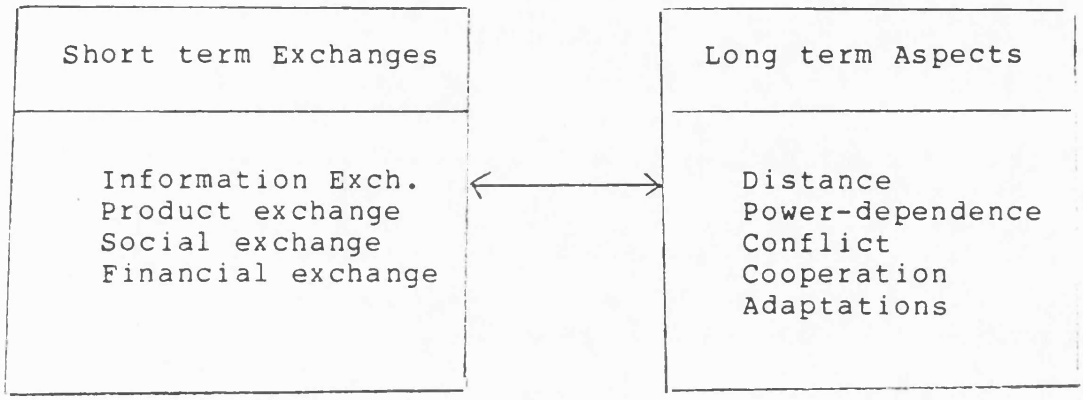
The long term aspects in the present model are similar to the "atmosphere" variables in the IMP model (Cunningham, 1981). However, the adaptations by the parties - which is listed under long term features of the interaction process - in the IMP model is also included here. This follows the modifications made to the IMP model by Hallen and Johanson (1984).

IV.1.4. Outcomes

The final variable in the model is the outcome of the relationship. This can be looked at as the results of the strategic choices and relationship management activities of the supplier. The outcome could be positive (i.e., success) or negative (i.e., failure) of the relationship and may be measured in subjective or objective terms. Objective measures of

Figure 4.5

The Relationship



Source: Compiled by the author.

success used by past researchers include the number of repeat purchases, maintaining original cost and time estimates (Ford and Djeflat, 1982), achievement of sales target, etc. Other measures of export success found in the literature are export sales growth and export market share (Kirpalani & Balcome, 1987). Subjective measures used to date include perceived satisfaction with various items like the relationship itself, the performance of the firm, etc. The outcomes of the relationship may lead to changes in the contextual constraints and/or the relationship variables. For example, negative outcomes may motivate a firm to change the quantity of information exchanged (a relationship variable) or increase its cooperation with the buyers (another relationship variable). On the other hand, a firm might feel that to succeed in its export endeavors, it has to change its organization structure and for example, introduce a separate export marketing department (i.e., change a contextual variable). Hence the model provides for feedback lines between the outcomes of a relationship and the other two parts of the model.

It should be noted here that the outcomes in the present model are those at a particular point in time and are not seen as final, absolute or irrevocable outcomes of the relationship. (The feedback lines in

the model indicate this). In other words, the outcomes are seen as the results of the interactions between the developing country exporters and the buyers (from the sellers' point of view) at the time the study was conducted and may be subject to change. As mentioned above, these changes may occur to modifications in the contextual variables and/or the relationship variables.

The entire model is presented in figure 4.4.

Overall, the model proposed here is a modified version of the Hallen-Johanson (H-J) model (Hallen & Johanson, 1984). The advantages of the present model over its predecessors (given the objectives of the study) are provided below:

(1) The parties in the interaction are treated separately in this model (the H-J model groups them together). Since only the sellers' views of the relationships are being examined in the present study, it was essential to have a model that could accommodate this change in research methodology. The present model, with the buyer's characteristics included under "external factors" enables the researcher to do that. In other words, it is possible with the present model

to analyze relationships in cases where only the perceptions of one of the parties is being looked at.

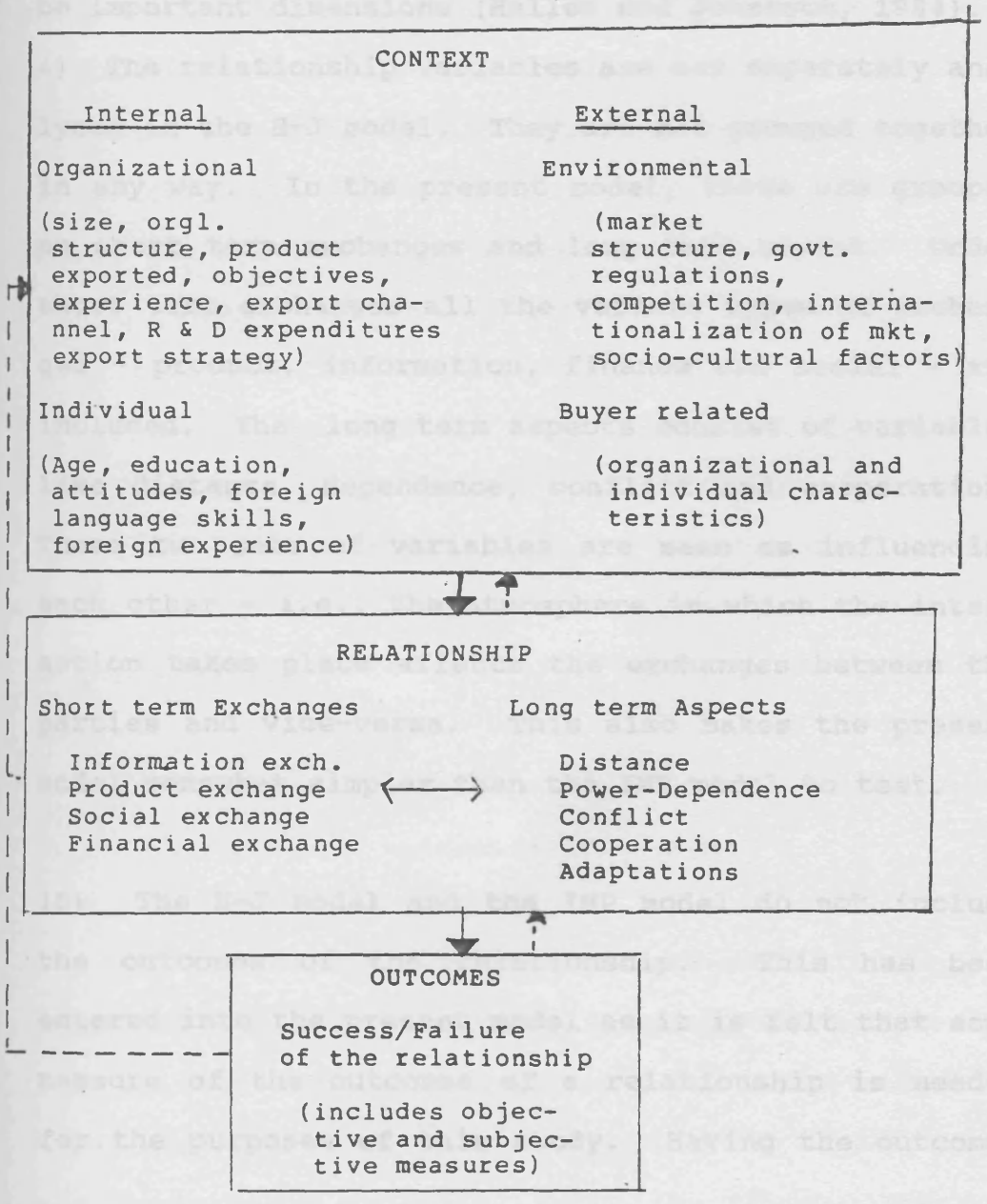
(2) The present model classifies the context in which a relationship takes place into variables that are internal to the LDC exporters (and hence more controllable) and those that are external to them (and are hence less controllable). Thus the environment and the characteristics of the buyer are grouped together in the proposed model as external or relatively uncontrollable constraints facing LDC exporters. This might make it possible to study the strategic choices available to these exporters.

(3) The present model expands on the relationship variables in the H-J model. The H-J model only lists three variables in this category - product exchange, information exchange and long-term aspects (social and knowledge distance between the parties, their dependence on each other and the adaptations by the parties). Many of the variables in the IMP model have been left out of the H-J model. The model proposed here thus integrates the H-J model and the IMP model to a greater extent.

It should be noted that some of the variables that were not included in the H-J model (e.g., finan-

Figure 4.6

The Research Model



Source: Compiled by the author.

cial and social exchanges between the parties, conflict, etc.), are important for the purposes of this study. Further, as these researchers themselves state, some of the factors that they had not considered as major ones - e.g., dependence - were found to be important dimensions (Hallen and Johanson, 1984).

4) The relationship variables are not separately analyzed in the H-J model. They are not grouped together in any way. In the present model, these are grouped as short term exchanges and long term aspect. Under short term exchanges all the various types of exchanges - product, information, finance and social - are included. The long term aspects consist of variables like distance, dependence, conflict and cooperation. These two sets of variables are seen as influencing each other - i.e., the atmosphere in which the interaction takes place affects the exchanges between the parties and vice-versa. This also makes the present model somewhat simpler than the IMP model to test.

(5) The H-J model and the IMP model do not include the outcomes of the relationship. This has been entered into the present model as it is felt that some measure of the outcomes of a relationship is needed for the purposes of this study. Having the outcomes

included in the model would make it possible to compare the performances of the exporters.

Overall, it is felt that the present model is better suited for the purposes of this study as (i) it makes it possible to study each party in the relationship separately by separating the parties involved and dividing the context of a relationship into constraints that are internal and external to a party; (ii) it reinstates certain key variables (e.g., distance) which the H-J model had eliminated. These variables (e.g., social exchange, dependence) are likely to be even more important in a study which focusses on the relationships between LDC exporters and their buyers; (iii) it integrates the H-J model with the IMP model; and (iv) it explicitly includes the outcomes of the relationship thus enabling the researcher to compare the performances of the exporters at one point in time.

IV.1.5.: Key contextual variables examined in the study

As in the case of previous research studies, it would be extremely difficult to study the effects of all the variables in the present model. The number of variables is too large to be studied in depth in one single research project. Hence the current research

project will concentrate on examining the effects of certain variables in the proposed model.

Of the context variables, two will be examined in detail. One internal variable - product that the supplier exports - and one external variable - importing country - will be focussed upon during this study. The product that the supplier exports has been classified into industrial and consumer products. Industrial products are defined as those that enter the production process of another organization directly or those that aid in the production of another product (e.g., capital goods, accessory equipment, etc). Consumer goods are defined as those that are entirely finished and are sold to the consumers in their present state. These goods neither aid in the production of another good nor enter the production process of another firm directly. While these consumer goods may be sold to an intermediary (an agent, wholesaler or a retailer) these firms act merely as intermediaries in the process.

Studies have indicated that there are differences in the export behaviours of industrial and consumer goods exporters. (Bilkey, 1982). Further, previous research indicates that industrial goods exporters from developing countries are likely to face more negative stereotypes and hence more difficulties in

foreign markets than consumer goods exporters. Thus it is felt that there may be differences in the interaction process based on whether the product directly or indirectly aids in the production of other products.

In addition, developing countries like India are at present attempting to increase their exports of higher value industrial and consumer products. Hence, it is felt, that a comparison of industrial and consumer product exports would be more beneficial to practioners than the usual industrial goods classification used in many studies.

The second variable under "context" that the present study focusses on is the importing country. Buyers will be classified as belonging to either developed or developing nations. Given the objectives of this study and the interest among developing country exporters to find new markets in the developed world for their products, it is felt that this is the appropriate variable to concentrate on. As the literature search showed, differences in interaction patterns have been found depending on the importing country. So far, the emphasis has always been on importers (and exporters) in the developed world (see, for example, Hallen & Johanson, 1985) It is felt that when the importing country is a developing nation as

opposed to a developed one, significant differences in the relationship aspects may be found.

The present study will thus concentrate on the effects on these two "context" variables on the relationship and the outcomes of the relationship. As far as the relationship is concerned, the emphasis will be mainly on its long term aspects -i.e., on variables like distance, conflict, dependence, etc.

IV.1.6: Other Variables Studied.

In spite of the emphasis placed on the above two contextual variables, the importance of the other contextual variables in the model is recognized. As the literature review showed, many of these context variables - e.g., size of the firm, its age, past export experience, etc. - have been found to have considerable impact on buyer-seller relationships. Hence several of these will be measured in the present study and treated as control or moderator variables (depending on the situation and the hypothesis being tested).

Since data from only LDC exporters will be gathered during this study, details of the buyer cannot be examined in the present study. The only characteristic of the buyer studied here will be the country to which the buying firm belongs. Among the other context variables seven have chosen to be

included in the present study. These variables are the variables that the literature survey indicated as having some influence the export marketing activities of a firm - especially its relationship with its buyers. (Please refer to Table 3.1 for details of the variables influencing exporting). While some of the other variables shown in the model may also have considerable impact on buyer-seller relationships, previous research has shown that these eight variables are important in export marketing and hence only they will be measured during this study.

Six of these seven variables are internal to the firms concerned. Of these three are organizational variables: (1) size of the firm, (2) age of the firm, and (3) its previous export experience. As Table 3.1 shows, past research indicates that these variables influence a firm's export marketing activities and its relationship with its buyers. For example, the size of a firm appears to influence its information collection (and perhaps information exchange) activities and its overall interest in exporting. Similarly, the age of the firm seems to affect the percentage of total sales from exports and this, in turn, may affect its dependence on exporting and on specific buyers. The previous export experience of a firm has also been shown to have considerable impact on its relationship

with its buyers - especially information and social exchanges and conflict.

The next three internal context variables are related to the individuals within the exporting firms who are primarily responsible for its export marketing activities. Again these three were chosen based on the survey of past research provided in Chapter III. These are: (1) Managerial expectations from (or attitudes toward) exporting, (2) knowledge of foreign languages, and (3) foreign experience. Past research indicates that these may have some influence on a firm's export marketing orientation. (Please refer to Table 3.1 for details).

Of the external variables, one environmental variable has been included in the present study - the overall nature of the industry. As the exporters included in the study will be from entirely different industries, it was felt that comparison among them would not be meaningful if the conditions specific to the industry are not taken into account in some manner.

Again, it should be emphasized that due to practical constraints, all the internal and external variables have not been measured in this study. The variables chosen were the ones that past research has shown to have an effect on a firm's export marketing

Table 4.1

List of Other Variables Included in the Study

1. Organizational Characteristics
    a. Size of the Firm
    b. Age of the Firm
    c. Export Experience of the Firm
2. Managerial Characteristics
    a. Managerial expectations from Exporting
    b. Manager's knowledge of foreign languages
    c. Manager's experiences in living/working abroad
3. Industry Characteristics

Source: Compiled by the author

activities - especially on its relationships with its buyers. Thus for example, variables like the age of the manager, his/her educational level, etc., are not included here as there was no indication from the literature survey that they played a major role in exporting.

The operationalization of the major variables in the study will be provided in the next chapter. The next section of this chapter discusses the hypotheses to be tested in this study.

IV.2 HYPOTHESES TO BE TESTED IN THE PRESENT STUDY

The hypotheses to be tested in the present study were arrived at after reviewing the literature in the field. Some of the hypotheses are directly supported by the past empirical work in export marketing. Others are logical extensions of the theories and ideas found in the literature survey. The hypotheses have been grouped into three categories:

(1) hypotheses that examine the impact of product type on the relationships between developing country based exporters and their buyers;
(2) hypotheses that examine the impact of the country of import on the relationships between developing country based exporters and their buyers; and

activities - especially on its relationships with its buyers. Thus for example, variables like the age of the manager, his/her educational level, etc., are not included here as there was no indication from the literature survey that they played a major role in exporting.

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(1) hypotheses that examine the impact of product type on the relationships between developing country based exporters and their buyers;
(2) hypotheses that examine the impact of the country of import on the relationships between developing country based exporters and their buyers; and

(3) other general hypotheses - i.e., hypotheses that deal with either the interrelationships between various relationship variables or the outcomes of the relationship.

The first two sets of hypotheses are directly related to the objectives of the study - i.e., to examine the differences between exporters of industrial and consumer products and between exporters who sell to developed and developing nations. The last set of hypotheses primarily examine the variables that are related to the outcomes of the relationship. Each group of hypotheses will be discussed in the following pages.

IV.2.1. Product Related Hypotheses

In this section, the hypotheses related to the product type being exported - i.e., industrial or consumer goods -will be discussed.

> **Hypothesis 1:** *The relationship between developing country based exporters and their buyers will be characterized by higher levels of conflict (as perceived by the sellers) when the product exported is an*

industrial product rather than a consumer product.

Issues like delivery, strict adherence to specifications and the accompanying services are likely to be more important in the case of industrial products than consumer products. Exporters from any country may find these standards or expectations more difficult to meet but the problems would be greater for a developing country exporter. Quality control and delivery are perennial problems in most developing countries. These issues would lead to higher conflict levels between the parties when the products exported are industrial rather than consumer products.

Most developing countries are involved in the export of either raw materials or component parts. Bilkey (1982) evaluated the variables associated with export profitability. The above study indicated that dealer support in the form of missionary sales help, technical assistance, etc., is important in the case of component part manufacturers. Industrial products also seem to benefit from direct sales to the user (rather than through an agent) (Bilkey, 1982). These findings are also supported by Khanna (1985) who found that the export of industrial products such as machinery and equipment required after sales service faci-

lities, availability of spares, replacement of damaged or worn out parts, etc. In the case of industrial product exporters from a developing country like India, both these - direct exporting and providing dealer support - are likely to be difficult due to financial problems. This is also likely to lead to tension between the parties especially if, for example, the buyers are used to getting high dealer support from other suppliers.

> Hypothesis 2: *In the relationship between developing country based exporters and their buyers, the number and level of adaptations required of the seller (as perceived by the seller) will be higher when the product exported is an industrial good than when it is a consumer good.*

Following Hallen and Johanson (1984), adaptations are defined as changes made by the supplier to production processes, the product and other exchange variables to meet the buyer's needs. It is hypothesized that industrial products, in general, need more adaptations as they have to meet the buyer's needs more strictly than consumer products. When an item becomes part of another firm's final product or aids

in its production process, the need to meet the buyer's specifications exactly becomes greater. Previous research also indicates that when the buyer uses a mass production technology, the extent of product adaptations required of the supplier is very high (Hallen & Johanson, 1984). Also, as Webster (1984) points out, many industrial products are often custom produced to meet the buyer's needs. This would increase the need for adaptations to the product and/or the production process to satisfy the buyers.

Hypothesis 3: *In the relationship between developing country based exporters and their buyers, the exporters would perceive themselves to be more dependent on their buyers when the product exported is an industrial rather than consumer good.*

Developing countries are new entrants in the field of industrial goods exports. Until recently they have been generally seen as exporters of low value consumer goods and/or primary products. Thus industrial product exporters from these nations are likely to face greater problems while attempting to export industrial goods. Hence it would be more difficult for these exporters to find buyers for their products

than it would be for exporters of the consumer products that these developing nations export.

Many of the consumer goods that developing nations currently export are seen as "unique" products and are usually made only in other developing nations (e.g., handlooms and handicrafts). On the other hand, in the case of industrial products, these nations are likely to face competition from developing countries as well as NICs and the developed nations. Thus the level of competition in industrial markets is likely to be greater than in consumer markets. This, in turn, would increase the dependence of industrial goods exporters on their buyers.

IV.2.2: Hypotheses Related to Importing Country:

This section discusses the specific hypotheses related to the second major variable of interest- i.e., the importing country.

> **Hypothesis 4:** *In the relationship between a developing country based seller and its buyers, the seller's perceived level of distance between the parties will be higher when the buyer is from a developed nation rather than a developing nation.*

Distance has been defined in this study as social and cultural differences between the parties. Other forms of distance identified by previous researchers are physical (or geographic) distance and technological distance (or differences in the stages of technological development between the parties). While the classification of buyers in this study as belonging to developed and developing nations does incorporate the concept of technological distance, it is hypothesized here that this technological gap will also be related to social and cultural differences between the parties. In other words, it is hypothesized that in circumstances where there is a high technological gap between the parties, there is also likely to be a higher degree of social and cultural distance between them. This follows Hallen and Johanson's argument that distance between countries (inter country distance) is primarily a function of differences in the level of development and education between the countries in question.

The social and cultural systems of the developing world are very different from those prevalent in the developed nations. Developed nations have traded with each other for a longer period of time and still the major proportion of their trade is with other developed nations (Sundrum, 1984). Thus, there is likely

to be a greater familiarity among DC exporters than between them and LDC exporters. This lack of familiarity is likely to lead to greater perceived distance between the parties when the buyer is from a developed nation and the seller is from a developing country.

Importers from developed nations are probably less familiar with the resource shortages and other problems that firms in the developing world face. Thus developing country based exporters are likely to find DC buyers less sympathetic, less understanding of their problems and hence may perceive these buyers to be more distant from them than LDC buyers.

> **Hypothesis 5:** *In the relationships between developing country based exporters and their buyers, the number and level of adaptations required of the seller (as perceived by the seller) are likely to be greater when the buyer is from a developed country rather than a developing country.*

As Robinson (1961) noted, firms have to be sensitive to the developmental stage of a nation. Several researchers have looked at the importance of adaptations in export marketing (e.g., Baranson, 1967, Sorenson, 1966, Terpstra and Kacker, 1967). The

emphasis of these studies has been on exporting from a developed to a developing nation. These studies underscore the "peculiar needs of developing economies" and the importance of developed country based exporters to adapt to LDC requirements. The reverse is just as likely to be true. Thus, when the exporter is from a developing country, it must be easier to adapt to the needs of another developing country firm than to the "peculiar" needs of a developed nation.

This view is supported by the research findings of Kacker (1975) who looked at Indian exporters and their product adaptations. The ability to sell without any modifications to the product or production processes was stated as the prime reason by Indian exporters for choosing LDC markets like Sri Lanka. Kuada (1979) also states that products developed to satisfy the needs of one developing country can quite easily be modified to suit the needs of other developing nations.

While several other hypotheses related to the destination of exports from a developing country are possible, the above two were chosen to be tested in the present study due to the support found for them in the literature. Other possible hypotheses that may be tested in future studies are mentioned in chapter 9.

IV.2.3: Other Hypotheses

In this section, some other hypotheses of interest to this researcher are discussed. These deal with the relationship variables and the final outcomes of the interactions between buyers and sellers.

> **Hypothesis 6:** *In the relationship between developing country based exporters and their buyers, the distance between the parties (as perceived by the sellers) will be lower in instances with high levels of information and social exchanges than in those with low levels of information and social exchanges between the parties.*

Distance has been defined in this study as social and cultural differences between the parties. Previous researchers have hypothesized that distance between trading parties can be reduced through increased information and social exchanges. For example, Valla and Perrin (1984) state that the need for interpersonal contacts increases as the distance between the parties increases. Hakansson, Johanson and Wootz (1976) consider social exchange as essential when distance between the parties is present. Social exchange, in the above researchers' opinion, creates

confidence in the other party which is important when cultural and social differences among the parties exists. Similar views are expressed by Hallen and Weidersheim-Paul (1977) who state that increased exchanges between the parties can lead to increased trust which, in turn, reduces the inter firm and inter country distances are present.

As Cunningham (1980) notes, social exchange decreases the uncertainties in a relationship which is significant whenever cultural distance between the two parties exists. Other researchers (e.g., Ford and Rosson, 1980) have also stated that exchange between the parties will reduce the distance between them.

While many researchers have hypothesized the relationship between distance and information/social exchange, very few have actually examined it. In one of the few studies on distance, Hallen and Johanson (1984) found that more intensive interpersonal contacts were found in situations with lower levels of distance. However, it should be noted that the firms included in the above study were all european countries and distance was primarily operationalized as physical distance (rather than social or cultural differences). Thus the researchers considered the lower cost and greater ease of communication associa-

ted with lower physical distance to have caused higher contacts in these cases.

Overall, it can be stated that while many researchers feel that social and cultural differences between the parties can be reduced by increasing the information and social exchanges between them, this has not been empirically tested to any great extent. The above hypothesis is aimed at testing this relationship between distance and information and social exchanges between the parties.

> **Hypothesis 7:** *In the relationship between developing country based exporters and their buyers, as the level of conflict between the parties decreases, the level of success of that relationship will increase, as this is perceived by the seller.*

Previous researchers have hypothesized that as the conflict between the parties reduces the export performance of firms will improve (see, for example, Ford and Djeflat, 1982). This is because conflict between the parties is seen to inhibit the effectiveness of their interaction (Lusch, 1976, Pearson and Monoky, 1977). Ford and Rosson (1980) have found that as the level of conflict decreased, the level of

cooperation increased and mutual satisfaction with the relationship increased. This, in turn, is likely to increase the success of a relationship. A negative correlation between the level of conflict in a relationship and its success is also reported by Ford and Djeflat (1982). Thus this hypothesis is based on the existing work in the area.

None of the studies quoted above dealt with exporters from developing countries. Thus, while the relationship between conflict and success has been tested with exporters from developed nations, it has not been examined in a developing country setting.

Given the importance of managing conflict in buyer-seller relationships, it is felt that a re-examination of this variable in the context of developing country based sellers is desirable. If the same relationship between conflict and success exists in the context of developing country based sellers also, then further research into conflict reduction mechanisms in such instances would prove fruitful.

IV.3: SUMMARY

In this chapter, the research model and hypotheses to be tested in the present study were discussed. The research model for this study was developed from the IMP model and the modifications made to it by

Hallen and Johanson (1984). The present model makes it possible to examine the impact of the two key variables under examination in this study - i.e., product type and country of the buyer - in instances where only one party in the relationship is being studied. It also incorporates the key variables identified by the IMP group which were left out of the H-J model. The outcomes of the relationship are also explicitly included in the present model.

Seven hypotheses are tested in the present study. Of these, the first three relate to the product being exported (industrial/consumer). The next two hypotheses deal with the destination of exports and two other variables that have been hypothesized in the past to be related to it - i.e., distance and adaptations. The final two hypotheses are more general in nature and deal with relationships that have been found to exist by other researchers in the context of developed nation based exporters.

Summaries of the hypotheses to be tested is provided in the following pages.

The research methodology used in the study along with details of the questionnaire design and the field procedures employed will be discussed in the next chapter.

Table 4.2

Product Related Hypotheses to be Tested in the Study

Hypothesis 1 The relationship between developing country based and their buyers will be characterized by higher levels of conflict (as perceived by the sellers) when the product exported is an industrial product rather than a consumer product.

Hypothesis 2 In the relationship between developing country based exporters and their buyers, the number and level of adaptations required of the seller (as perceived by the seller) will be higher when the product exported is anindustrial good than when it is a consumer good.

Hypothesis 3 In the relationship between developing country based exporters and their buyers, the exporters would perceive themselves to be more dependent on their buyers when the product exported is an industrial rather than consumer good.

Source: Compiled by the author.

Table 4.3

General Hypotheses and Hypotheses Related to Destination of Exports

Hypothesis 4 In the relationship between a developing country based seller and its buyers, the seller's perceived level of distance between the parties will be higher when the buyer is from a developed nation rather than a developing nation.

Hypothesis 5 In the relationships between developing country based exporters and their buyers, the number and level of adaptations required of the seller (as perceived by the sellers) are likely to be greater when the buyer is from a developed country rather than a developing country.

Hypothesis 6 In the relationships between developing country based exporters and their buyers, the distance between the parties (as perceived by the sellers) will be lower in instances with high levels of information and social exchanges than in those with low levels of information and social exchanges between the parties.

Hypothesis 7 In the relationships between developing country based exporters and their buyers, as the level of conflict decreases, the level of success of that relationship will increase, as this is perceived by the sellers.

Source: Compiled by the author.

CHAPTER V

RESEARCH METHODOLOGY

V.0: INTRODUCTION

This chapter provides details of the research methodology and procedures used in the present study. The operationalization of the variables to be examined in this study is also discussed in this chapter.

As mentioned earlier, India was chosen as the developing country to be studied due to the range of products it exports, its current emphasis on export marketing, the researcher's familiarity with the country and personal interest in its development. The context variables examined in detail through the hypotheses to be tested in the present study are (i) one internal constraint - i.e., the product type (industrial Vs consumer goods) and (ii) one external constraint - i.e., the importing country (developed Vs developing). While the emphasis in this study is on the effects of these variables on the relationship - especially its long term aspects - the outcomes of the relationship will also be examined. Seven other context variables - six internal constraints and one external constraints are also measured in the present study and will be used as controls or moderator variables depending on the situation. Of the six internal

constraints, three are organizational variables (size of the firm, its age, its past export experience), while the other three are characteristics of the individual(s) in charge of the export marketing activities of the firm - the manager's attitudes toward exporting, his/her knowledge of foreign languages and foreign experience.

During this phase of the study, several problems were encountered by the researcher. These will be described here briefly before elaborating on the research design used in the present study as several aspects of the research design were significantly affected by these issues.

V.1: PROBLEMS ENCOUNTERED WHILE CONDUCTING RESEARCH IN INDIA

As persons who have conducted research in developing countries may be well aware, one is likely to encounter several unforeseen difficulties during this phase of their study. Sample selection and data collection in a developing country often tends to be more complex and less speedy than in developed nations. As mentioned earlier, due to time and resource constraints, it had been decided that this study would focus on the sellers' side of the relationship alone. Even this proved to be far more difficult than had been

envisioned by the researcher. The major problems encountered by this researcher were:

1. Lack of up-to-date information on exporters. While lists of exporters were available, these lists were often two to three years old. This made relying on the lists for mailing of questionnaires extremely difficult.

2. Lack of information relevant to the study: This study aimed to identify the effects of the type of product being exported (i.e., industrial/consumer products) and the destination of the exports on buyer-seller relationships. However, it was found that the agencies collecting export related information did not classify exporters based on product type or the destination of exports. Instead, the available lists of exporters were based on overall product groupings (e.g., Chemicals and Dyes, Handlooms and Handicrafts, etc). This made it difficult to balance the numbers in each "cell" in the study. Thus, while having equal numbers of exporters to developed and developing nations (or industrial and consumer product exporters) would have been highly

desirable, this was impossible given the data available in India.

3. Unwillingness of firms to participate in a mail survey: While a certain amount of difficulty in achieving high participation rates had been expected, the actual level encountered during data collection was far greater! Initially, the study had been planned as a mail survey with a representative sample drawn from across the nation. However, the initial mailing of over 300 letters requesting participation in the study yielded practically no positive responses. This affected the method of data collection and the sample size. A large sample was no longer feasible as data had to be collected using personal interviews.

4. Importance of personal contacts: Besides the unwillingness of firms to participate in mail surveys, it was found that the managers of individual firms contacted were extremely unwilling to grant personal interviews to an "outsider". In general, things work well in India when one knows someone on the "inside" and this seems to carry on into the field of research too. The fact

that the researcher, while of Indian origin, was now a Canadian citizen and a female, probably added to these problems. Thus, it was found that during data collection, even managers who had initially agreed to a personal interview would at the final moment, call and cancel it, or worse, not show up at all! In one instance, for example, the researcher waited outside a manager's office at the appointed time for over an hour only to hear later that the manager was not in his office after all!

This unwillingness to talk to outsiders led to a slowing down of the data collection process. It also meant that in order to get interviews with managers, the researcher had to use all the personal contacts available to her and had to go through roundabout means to get an interview. For example, instead of going directly to a firm and requesting an interview with the Sales/Export manager, the researcher had to first meet with the manager of the respective export development office in the city, get the names of exporters in the city and get personal introductions from him before attempting to get personal interviews. Furthermore, this also meant that the sample drawn would be more of a judgement sample - as

the firms selected were for the most part, those that were considered to be "active exporters" by the respective export development officers.

In spite of these problems (regarding sample selection), every effort was taken to make the sample as representative as possible of the total population of Indian exporters. Data was collected from different areas of the country and from different product categories. Details of these will be provided later while discussing sample selection.

These problems, as can be seen, affected almost all stages of the research design. Further details of how they were overcome will be provided in the following pages as details of the research design employed in the study are discussed.

V.2. RESEARCH DESIGN

Research design is the specification of procedures for collecting and analyzing the data necessary to solve a research problem. This is primarily a function of the type of research problem being studied and the aims of the study. In the following pages, the research design used in the present study are discussed.

V.2.1 Type of Study:

To achieve the objectives of the present study, a cross sectional survey design was decided upon. While this study attempts to examine the nature of the functional relationship between two or more variables, in behavioral sciences, cross sectional surveys are often used for this purpose. Cross sectional surveys can provide evidence of concomitant variation in the variables, thus allowing us to infer the relationship between them. In other words, while such studies to not prove causation, they do provide evidence that such causal relationship might indeed exist. Of course, further research in the field would be required to validate the existence of such causal relationships.

V.2.2 Method of Data Collection:

Initially, the study was planned as a mail survey. In India, all exporters have to be registered members of the relevant export promotion councils. Hence as a first step in identifying the sample for the study, all export promotion councils in the country were contacted (there were thirteen export promotion councils) and a membership list was requested from each. Replies were received from seven of the thirteen export promotion councils. Firms were selec-

ted randomly from the lists and an initial letter explaining the project and its purposes along with a request for participation was mailed to over 300 firms. 23 responses were received and 15 of the responding companies expressed willingness to participate in the study. Yet not a single questionnaire that was mailed to these firms was returned! It thus became obvious that a mail survey was unsuitable in the Indian environment and thus a personal interview method was decided upon.

The personal interview, while more time consuming and expensive, also has certain distinct advantages over the mail survey. It provides greater flexibility to the researcher especially to probe deeper into key areas in a study. It also enables the interviewer to provide further explanations to the respondent if needed. It is suitable for studies in which large amounts of data are collected and the questionnaire used is complex. Both these conditions are present in this study.

The personal interview method also provides the most control over the sample. It can control for both the sampling unit (i.e., the organization to be studied) and the actual respondent (i.e., the person to be interviewed). Thus it is possible to choose firms that are of interest to the researcher and ensure that

the right person (in this case, the person in charge of the firm's export marketing activities) is interviewed. This becomes especially important when quotas have to be met while sampling.

V.2.3: Sample Selection:

As mentioned earlier, since 1970, all firms eligible to export had to be registered with a registering authority. In most instances, this is the relevant export promotion council - commodities are to be registered with the Commodity Boards. There were approximately 28,000 registered exporters in the country during the early eighties. Of these, only approximately 3,000 (or 10%) were considered to be active or regular exporters. Thus choosing a sample of exporters from the lists provided by the export promotion councils proved to be a difficult task.

Six export product categories were chosen for the study - three primarily consumer product categories (spices, handlooms and handicrafts, leather goods) and three primarily industrial product categories (chemicals and allied products, engineering goods and textiles). It should, however, be noted that certain product categories provided both industrial and consumer product exporters. For example, the "Handlooms and Handicrafts" category consisted mainly of consumer

product exporters (i.e., exporters of finished products) but also included some industrial exporters (e.g., handloom fabric exporters who sold to garment manufacturers in other countries).

To aid in sample selection, officials from all of the six export promotion councils were contacted in person and their assistance was requested. These officials were familiar with the exporters in their regions and hence could identify the active exporters in the area. Thus a list of active exporters in each product category in one or more regions was obtained. Using these lists, a quota sampling method was used to collect data.

Quota sampling is a nonprobability method of sample selection. In the quota sample, respondents are selected purposively in such a way that the characteristics of interest are represented in the sample in an adequate manner. Thus a quota sample resembles a stratified sample; however, the respondents in a quota sample are not chosen using a probability technique. While this makes it susceptible to the problems associated with nonprobability sampling techniques, it was felt that it is a suitable sampling method for the present study. Quota sampling enables the selection of appropriate types of sample members- for example, in the present study, it is important to

get a good distribution of exporters who sell to developed and developing countries and deal with industrial and consumer products. Since the lists that are available with the registering organizations do not specify the importing country or the type of product handled, random sampling may not result in sample with a good distribution of these two key variables. Secondly, Indian exporters are spread out among many cities and regions. This would make the selection of random sample impractical for studies using personal interviews as the time and costs involved would be extremely high. Finally, as was mentioned earlier, response rates among exporters was found to be very low. This would have made any resulting sample "non-random" as responding firms are likely to be very different from nonrespondents.

To get regional representation, data was collected from seven cities in the country - three from the north and four from the south. These were Bombay, Delhi and Ahmedabad in the North and Madras, Madurai, Hyderabad and Alleppy in the South. These cities were chosen for their industrial concentration and specialization in certain industries. For example, Madras is one of the major centres for leather and engineering goods exports, while Madurai has a high proportion of fabric exporters.

Sixty firms from the lists of active exporters were interviewed for the study. Given the constraints on the researcher a larger sample size was difficult to attain. The sample size chosen is comparable to that in similar studies in the field especially those using a personal interview method (for example, see studies by Djeflat, 1984; Leonidou, 1986). Care was taken to achieve as even a distribution of exporters in both the context variable categories as possible.

Interviewees were chosen by asking for the person(s) who were directly in charge of the firm's export activities. Thus in cases were a separate export division existed, the manager of this division (or department) was interviewed. In other instances, the person in charge of the firm's overall marketing activities was interviewed. In smaller firms, this often meant that the interviewee was the owner.

Only exporters from India were interviewed during this study. As mentioned earlier, while the researcher recognizes the importance of examining both sides of the relationship in studies on export marketing, the special focus of this study and the constraints on the researcher made it impossible to do so. The major objectives of this study are to examine the impact of product type and country of import on buyer-seller relationships. The latter objective necessitates

having a good distribution of exporters selling to developed and developing countries. Thus, unlike the previous studies in the area, the present study could not be limited to exporters who sell to one country (or at the most, a few). The former objective (studying the impact of product type) also increased the dispersion of the buyers as quite often countries which bought consumer products from India did not buy many industrial products from the country and vice-versa. This made it difficult to limit the study to exporters who sold to, say, one (or two) developed and developing nations. Given the constraints on the researcher, it would have been impossible to collect data from more than one or two countries.

There were other practical constraints which made the examination of the buyers very difficult to achieve in this study. There were no lists of sellers to developed and developing nations or of industrial and consumer products. Initial field surveys had indicated that Indian exporters are very reluctant to provide details about the buyers especially names and addresses. Insisting on such information or limiting the study to firms that were willing to provide such information, would have further reduced the sample and, perhaps, made it less representative.

All the above factors led to the decision to limit the survey to exporters even though the value of examining both sides of the relationship was recognized. However, it should be noted that the study incorporates the key variables identified by previous Interactionist researchers and views export marketing as more than the manipulation of the marketing mix variables. Thus the emphasis in this study is still on the relationship between buyers and sellers - only the perspective is slightly different. The relationship is seen primarily from the seller's perspective.

V.3. OPERATIONALIZATION OF THE VARIABLES

Operationalizing the key variables in the study was a difficult task due to lack of consistency in the manner in which previous researchers had operationalized and measured these concepts. To aid in this step of the research, previous studies in the field were examined carefully and whenever possible measured used by other researchers were adopted.

The main objective of the present study is to examine the effects of two context variables on the relationship between developing country based exporters and their buyers. Hence there are eight key variables to be examined in this study - the product type and country of import (the context variables), infor-

mation and social exchanges (short term exchanges of the relationship), conflict, distance and adaptations (long term aspects of the relationship) and the outcomes of the relationship. As mentioned earlier, eight other contextual variables were chosen to be control or moderator variables (depending on the particular hypothesis). The operationalization of each of these variables is discussed below.

V.3.1: Product Type

The type of product exported has been previously classified as raw materials, components and capital equipment (Cunningham, 1980, Hallen & Johansson, 1984 Johansson & Vahlne, 1985), or as industrial and consumer goods (Bilkey, 1982). As mentioned earlier, the former classification is not a relevant one for studying developing country exports as developing countries do not currently export many capital goods. Further, this classification does not take into account a major part of developing country exports - i.e., simple consumer goods like handicrafts, textile products, etc. Thus the industrial - consumer goods classification was chosen for this study.

Industrial goods are defined here as goods that enter the production process of another firm (like raw materials, semi-finished goods or component parts) or

aid in the production process of another firm (like capital goods or equipment). Consumer goods are defined as products that do not enter another firm's production process and/or aid in it but are distributed without further finishing to consumers. In other words, goods sold to intermediaries like import agents, distributors, or retailers who resell the products without any further work on them are classified here as consumer goods.

As the literature review in Chapter II indicated, developing countries are more interested in increasing the sale of their manufactured goods. Hence the emphasis of this study was on manufactured industrial goods. This led to the exclusion of raw materials (such as minerals or natural products like rubber) from the study.

Participants were asked to specify the product exported and this information was used to classify products as industrial or consumer goods. For example, cotton cloth sold to a manufacturer for use in producing garments was classified as a consumer good while cotton "made-ups" (e.g., towels, table linen, etc) were classified as consumer goods.

V.3.2: Importing country

As discussed earlier, the buyers were classified according to their nationality as either developed country based buyers or developing country based buyers. Developing countries were defined earlier as the countries left behind after the developed, centrally planned and newly industrializing nations have been taken out. Thus the term LDCs in this study refers to the nations of Asia (except Japan, Hongkong, Korea (Rep), Taiwan and Singapore) all of Africa (except South Africa) and South America and Mexico. The countries classified as developing countries in the present study are: all the nations of Western Europe, Canada, the United States of America, the United Kingdom, Australia, New Zealand, the Eastern bloc or central planned economies, Japan, Hong Kong, Korea (Rep) Taiwan and Singapore.

Again, the respondents were asked to state which country their buyer came from and this information was used to classify the buyer as belonging to a developed or developing nation.

V.3.3: Conflict

Conflict is seen by many researchers to be composed of three elements: (1) affective conflict - i.e., feelings of stress, tension, or hostility toward the

other party; (2) latent conflict - i.e., antecedent conditions of behavioral conflict; and (3) manifest conflict - i.e., actual conflict behaviour (see, for example, Gattorna, 1978; Lusch, 1976). Of these, as Anderson and Narus (1984) state, manifest conflict or actual behavioral conflict is the one studied most frequently by researchers in the field. Manifest conflict is generally operationalized as the frequency and intensity of disagreements or conflicts among channel members.

Latent conflict has been operationalized through the factors causing conflict (Stern & Heskett, 1969; Djeflat, 1984) and the areas of conflict - i.e., disagreements on product quality, price level, etc (Leonidou, 1986). The former has been measured in different ways by various researchers. For example, Djeflat (1984) identified six factors causing conflict (deficiencies in contract terms, implementation of contract terms, differences in technical knowledge, language differences, cultural differences and minor aspects of the relationship), while others have used many more factors like ill-defined roles, different opinions about the future of the business, etc. (Leonidou, 1986). Some of the causes of conflict (e.g., ill-defined roles, differences about the future of the relationship) are difficult to operationalize

and measure especially when only the sellers are being examined. Another aspect of conflict that has been studied by previous researchers is the perception of conflict level (Gattorna, 1978, Lusch, 1976).

In this study, conflict is operationalized as:

(1) overall frequency of disagreements with the buyer - as perceived by the seller (measured using a five- point scale ranging from "very often to never);

(2) the seller's perceived level of disagreements with the buyer (major or minor);

(3) relative degree of disagreements with the buyer compared to other buyers - as perceived by the seller (measured using a three point scale- more, same or less number of disagreements with this buyer compared to other buyers); and

(4) the seller's perceived frequency of disagreements with the buyer over specific issues (e.g., contract terms, product quality, packaging, etc). This was also measured using a five point scale (very often to never).

Thus the emphasis in the present study is on manifest conflict - i.e., frequency and intensity of disagreements with the buyer and the relative level of conflict with the buyer. While causes or antecedents of conflict (e.g., language differences, differences in technical knowledge, etc) will be measured during the present study, these are considered to be different from actual conflict and hence (as in most other studies in the area) are not included in the operationalization of this concept.

V.3.4: Distance

Distance is a variable that has not been operationalized by many researchers. While there seems to be consensus that distance can mean geographical, social, cultural and technological differences between the parties (Ford, 1980), most researchers have not attempted to measure distance along these lines. For example, (Djeflat, 1984) operationalized distance as factors which affect (or reduce) distance - i.e., frequency of communication, existence of formal and informal means of communication, etc. Hallen and Johansson (1984) operationalized distance as the formal or friendly nature of the relationship. Quite often distance has been assumed to exist when the buyer is from a foreign country (Hallen & Johansson,

1984) and as being important only in the initial stages of the relationship (Djeflat, 1984). Further, some of the studies (e.g., Hallen & Johansson, 1984) have used the researchers' subjective estimates of the formal/informal nature of the relationship to measure distance. Other ways of operationalizing distance that have been found in the literature are difficulties in communication due to language differences, difficulties in forming friendships with personnel from the other firm and feeling of being understood by the other (Hallen & Wiedersheim-Paul, 1979; Hallen & Johansson, 1984).

In this study only the participant's ratings of the distance between them are used. Distance has been defined earlier as social and cultural differences between the parties. Since there seems to be no agreement among researchers in the field on how to operationalize social and cultural differences, multiple measures have been used in this study. These are:

(1) the seller's perceived difficulties in forming friendships with personnel from the buyer's firm;
(2) formal/informal nature of the relationship - as perceived by the seller (4 point scale ranging from very formal to very informal);

(3) difficulties faced due to language or religious differences - as perceived by the seller (5 point scale);

(4) the seller's feelings of being understood by the other party (5 point scale);

(5) differences in overall work habits of people from the buyer's country from those of the exporter as this is perceived by the exporter (5 point scale); and

(6) the seller's perceived closeness to the buyer. (4 point scale - very close to not at all close).

(Items 1, 3,4 and 5 were measured on a Likert type scale with statements which the manager responded to using a 5 point scale ranging from "strongly agree" to "strongly disagree").

While communication patterns are measured in the present study, they are seen as ways of reducing difference and not as means of measuring it.

V.3.5: Adaptations

Adaptations have been operationalized in the past as long term changes to the product, production process, delivery, office routines, financing arrangements, etc., that have been made to suit the needs of the other party. For example, Hallen and Johansson

(1984) operationalized adaptations as changes made to the product or the production process.

This study follows the previous ones in operationalizing adaptations as:

(1) presence or absence of changes in product, production process, delivery and office routines, financial arrangements by the seller; and
(2) the seller's perceived extent of changes to product and production processes to meet the buyer's needs (measured as either major or minor).

The latter was included as the literature survey had shown that previous researchers considered these two items - changes in product and production processes - to be the most critical ones as far as adaptations are concerned. In fact, most of the studies included only these two areas of adaptations.

V.3.6: Power-Dependence

Power been described as one party's "ability to control the decision variables in the marketing strategy of another member in a given channel at a different level of distribution" (El-Ansary & Stern, 1972; p.4). A similar definition is provided by Wilkinson (1979) who sees power as a firm's ability to control another channel member's behaviour. Thus some

researchers have used the terms power and control interchangeably. Following these lines, power has been operationalized as willingness to modify policies, use of coercive practices, ease with which the relationship might be terminated, etc (Anderson & Narus, 1984). Other ways of operationalizing power have been control over specific decision areas - e.g., price setting, product design, etc.- (Leonidou, 1986), control over information, (Djeflat, 1982), control over policy making (Leonidou, 1986), control over resources (McIver, 1964), etc.

However, the most commonly found definitions of power in a channel context relate power to dependence. For example, Emerson, (1962) defined it as the ability of one party to influence the other or as the dependence of the latter on the former. Power of one party over the other is thus seen as a function of the latter's dependence on the former (Emerson, 1962). El Ansary and Stern (1972) also consider power in a channel context to be a function of the extent to which the two parties are dependent on each other for satisfying their goals. Dependence is hence considered to be the causal explanation or antecedent of power by several researchers (see, for example, Cadotte & Stern, 1979; Stern & Reve, 1980; Stern & El Ansary, 1982; Frazier, 1983). This is also in line with the

definitions of power given by several organizational researchers (e.g., Pfeffer & Salancik, 1978). The present study follows the above researchers and also treats power and dependence as obverse concepts.

The operationalizations of power-dependence seen in the literature include:

(a) Magnitude of the exchange (or its importance)- measured as the percentage of a firm's total business that is accounted for by the other party;
(b) expected outcomes that are higher/better than that resulting from others;
(c) number of (channel) alternatives available; and
(d) the ease of replacing the current partner (from El-Ansary & Stern, 1972; Etgar, 1976; Ford & Rosson, 1980; Ford & Djeflat, 1982; Brown, Lusch & Muehling, 1983; Frazier, 1983 and Anderson & Narus, 1984).

It has also been found that the measure of power-dependence used may affect the results of a study. For example, different levels of association between different measures of dependence and conflict have been found (Ford & Rosson, 1980).

In this study, power-dependence has been operationalized as:

(1) percentage of sales accounted for by buyer;
(2) percentage of buyer's needs supplied by the seller;
(3) number of alternate buyers available to the seller;
(4) ease in finding alternate buyer - as perceived by the seller (3 point scale - easily, with some difficulty or not at all);
(5) the seller's perception of the number of suppliers that the buyer has in India and abroad (actual number); and
(6) seller's perception of the buyer's ability to influence other firms in his country (three point scale - very influential, somewhat influential or not influential).

V.3.7: Information and Social Exchanges

Information exchange has been measured previously as the frequency of contacts through various means such as telephone, telex, mail, etc. While absolute frequencies or ratings of the frequency of information exchange provide important insights into this aspect of buyer-seller relationships, it was felt that

another aspect of information exchange - i.e., the seller's perception of the adequacy of it is also crucial. To illustrate, two sellers with identical number or frequencies of information exchange may view the adequacy of the exchange quite differently. This may, in part, be due to the quality of the information exchange taking place between two - as, of course, the seller sees it to be.

In this study, information exchange has been operationalized as:

(1) the seller's perception of the frequency of communication over the telephone and telex and through letters (five point scale ranging from very frequently to not at all);
(2) the seller's perceived frequency of mailing of information about the company and/or the market (e.g., research reports) - using the same five point scale; and
(3) the seller's perceived adequacy of information exchange (measured using a five point scale ranging from very adequate to not at all adequate).

Social exchange has been operationalized previously as the number of person to person social contacts between the parties (Ford & Djeflat, 1982). This

study also uses the same operationalization. The assumption is, of course, that any face to face meetings between the two parties would involve some amount of social exchange.

V.3.8: Success or Failure of the Relationship

The outcome of the relationship - i.e., its success or failure has been operationalized by previous researchers using subjective and objective measures. Djeflat (1982) operationalized success using objective measures like the ability to keep extra costs down, the rate of repeat purchase and the ability to maintain delivery schedules. The same researcher also used subjective measures such as perceived satisfaction with various items like own performance, with the partner, etc. Success is also seen to be reflected in the perceived satisfaction with the overall relationship, rate of fulfillment of corporate objectives, terms of the agreement, etc (Leonidou, 1986).

Following the above, success is operationalized using the following objective measures:

(1) number of repeat purchases by the buyer from the seller;
(2) meeting sales objectives that the seller had regarding this particular buyer; and

(3) trend of sales to the buyer (five point scale ranging from increasing rapidly to decreasing rapidly).

Besides the above measures, the following subjective measures were also used in this study:

(4) the seller's perceived satisfaction with the sales to the buyer (five point scale ranging from "very satisfied" to "very dissatisfied");
(5) the seller's perceived satisfaction with the cooperation shown by the buyer (five point scale ranging from "very satisfied" to "very dissatis fied");
(6) the seller's future plans as far as the relationship is concerned (4 point scale - to increase, keep stable, decrease or to discontinue); and
(7) the seller's overall perceived satisfaction with the relationship (five point scale ranging from "very satisfied" to "very dissatisfied).

As was seen from the above discussion, quite often a variable has been operationalized in more than one way. This has been necessitated in part by the

lack of consistency in the way these variables had been operationalized by past researchers. Another reason was the lack of knowledge of the psychometric properties of the previous measures which made choosing among them difficult.

V.3.9: Operationalization of Other Variables

The seven other variables in the study were operationalized as follows:

(1) Size of the Firm: As the literature review indicated, past researchers have operationalized this variable as either total sales volume and/or number of employees. The results obtained varied with the type of measure used. In this study both these operationalizations are used.

(2) Age of the Firm: Age of the firm has always been operationalized as number of years in operation and this study also uses the same measure for this variable.

(3) Previous Export Experience: As in other studies of this nature, this variable is operationalized as the number of years since exporting began.

(4) Managerial Expectations From Exporting: Past researchers have measured managerial expectations regarding specific aspects of or benefits from exporting (Bilkey & Tesar, 1977). Following the same lines, this variable has been operationalized in the present study as:

a) Perceived effects of exporting on the firm's profit;
b) Perceived effects of exporting on the firm's growth;
c) Perceived effects of exporting on the business risk (i.e., on security of investment);
d) Perceived effects of exporting on the stability of a firm's sales;
e) Perceived effects of exporting on the development of new markets by the firm; and
f) Perceived effects of exporting on the firm's contribution to the country's economic growth.

The above were all measured from the point of view of the person in charge of the firm's export marketing activities. A five point scale was used in all instances with anchor points ranging from "decrease greatly" to "increase greatly".

5) Knowledge of Foreign Languages: As in other studies (Langston & Teas, 1976; Bilkey & Tesar, 1977), both the number and depth of knowledge of foreign languages were measured in this study. Depth of knowledge was measured on a three point scale of "good", "limited" (i.e., can discuss some job related matters and "very limited" (i.e., Cannot use on the job).

6) Foreign Experience: This variable was measured as the years of life spent abroad (living or working in) other countries.

7) Nature of the Industry: Seven industry characteristics were measured in the present study - stability (in terms of product design, customer needs and technical knowledge required); predictability of trends, rate of change, presence/absence of periodic or cyclical fluctuations in demand; riskiness, number of competitors entering the industry, and presence/absence of cut throat competition. Each one of the above was in the form of a statement with the respondent using a four point scale (ranging from strongly agree to strongly disagree).

As mentioned earlier, the relationship of these variables to product type and importing country will be examined and this knowledge will be used to

control/account for their effects during hypothesis testing.

V.4. QUESTIONNAIRE DESIGN

A structured questionnaire was developed for the present study. The questionnaire was divided into six parts. Part I asked for some general information about the company like the number of years in operation, number of employees, etc. Part II dealt with the company's environment and the characteristics of the industry it operated in, while Parts III, IV and V dealt with its relationship with the buyer. To ensure some uniformity in the choice of buyers, the interviewees were asked to choose their most important buyer during the last one year (in terms of sales volume) and focus on this buyer while answering the questions in parts III to V. Part VI dealt with personal information about the interviewee such as age, years of experience, educational background, knowledge of foreign languages, etc.

Besides the key variables in the study, the questionnaire also sought information on other variables. For example, the section on conflict dealt not only with the extent and frequency of conflict (a key variable of interest), but also the reasons for conflict. Similarly, while product exchange has been operationa-

lized as exchange of products/services and delivery frequency, questions on the impact of product deficiencies on the buyer was also examined.

Most of the variables were measured on a five point scale. For example, frequency of conflict was measured using a 5 point scale with "5" being "very often" and "1" being "never". Other scales were also used when deemed more suitable. For example, relative conflict (i.e., conflict with this buyer relative to others) was measured using a 3 point scale (more disagreements with this buyer, the same number of disagreements and less disagreements with this buyer).

A few open ended questions were also included in the questionnaire. The questionnaire was developed in such a way that could be either self administered or serve as a guide during personal interviews. During the interview, the respondents were encouraged to elaborate on important aspects and provide additional information or examples whenever possible.

A copy of the questionnaire is provided in Appendix A.

V.4.1:Pretesting the Questionnaire

The questionnaire was pretested using a sample of five exporters. A few changes were made to the questionnaire after this to make it easier to administer

and answer. While no major difficulties with the format or wording of the questionnaire were found during the pretesting procedure, some minor variations in terminology were deemed necessary. For example, the term "conflict" was found to have a stronger connotation among some respondents than was intended and thus led to negative responses during the pretesting procedures. However, these respondents were quite willing to admit that they had "disagreements" with the buyer. Hence the term "disagreements" was used in the final version along with the term "conflict".

V.5: DATA COLLECTION AND FIELD PROCEDURES

As noted earlier, the data was collected through personal interviews with the respondents. The companies were contacted over the telephone and the person responsible for exporting was identified and a meeting was arranged. Since the interviews were all conducted by one person (i.e., the researcher) there was considerable standardization of interview procedures.

Each interview took approximately an hour and a half to complete. While the data was collected from six provinces (each with a different language) language difficulties did not arise as the interviewees were all very fluent in English. (It should be

noted that the researcher's familiarity with the local languages did help in establishing a initial rapport with the respondents but the interviews were all conducted in English).

The data was collected over a six month period. The researcher travelled to each of the seven cities included in the study and contacted the regional offices of the relevant export promotion councils and obtained names of active exporters in the area. These exporters were then contacted and interviews conducted with the appropriate persons in each organization.

The data collected was coded and entered into a computer program and the Statistical Package for Social Sciences (SPSS) used for analyzing the data.

V.6: LIMITATIONS OF THE RESEARCH DESIGN

As with most research studies, the present one also contains certain inadequacies. Most of these, were, as mentioned earlier, the results of the problems faced by the researcher in the data collection process. To begin with, the sample is not a probability sample - it is more of a judgement sample as the firms contacted were those considered to be "active" exporters by their respective export development agencies. Thus, there is likely to be a bias in favour of firms that are actively and consistently involved in

exporting as opposed to "occasional" exporters. Secondly, the sample size, while similar to that used in other studies in the field, is not large enough to yield adequate cell sizes during sub-analyses to be conducted in the study. Thus, tests such as the chi-square analysis are likely to have a higher percentage of cells with expected frequencies of less than 5% than would be desirable. Thirdly, the distribution of the exporters (i.e., industrial Vs. consumer product exporters and exporters to developed Vs. developing countries), is likely to be unequal as the researcher did not have an appropriate sampling frame to work with. This is also likely to lead to small and unequal cell sizes. Finally, while the researcher recognizes the advantages of studying both sides of the relationship, this was not possible in the present study. Hence, the findings of the study would reflect only the sellers' views of the relationship which may differ from those of the buyers'.

V.7: METHODS OF DATA ANALYSIS

This section provides details of the statistical techniques used to analyze data in this study. Other details, such as the reliability of the scales used in parts of the study will also be discussed in this section.

The first five hypotheses in this study are tests of differences between two sample scores. The last two hypotheses deal with the association between two variables - distance and information/social exchange and conflict and success. For determining the statistical techniques to be used for testing these hypotheses, the following factors have to be considered:

(a) Type of scale (nominal,ordinal, interval or ratio)

(b) Number of variables (one, two or more)

(c) Number and type of samples (one, two or more; independent or related)

(d) Assumptions of the test about the population distribution, and other properties of data; and

(e) sample size

The independent or predictor variables in the first five hypotheses (i.e., product type - industrial or consumer, and importing country - developed Vs. developing) are nominally scaled. The two groups in each of the above hypotheses can be considered to be independent samples as (a) very rarely does a seller sell both industrial and consumer products and (b) the choice of one sample element from one population in these cases does not affect the selection of sample elements in the other population. Since there is only one dependent variable in all the above hypotheses,

univariate tests of significance or bivariate association are the only tests to be considered. Thus, when the data is nominal (e.g., presence/absence of adaptation) chisquare tests will be used; when the dependent variable is ordinally scaled, the Mann-Whitney U test will be utilized and when the data is interval or ratio, t-tests or Z tests will be used (depending on the size of the groups). Before each hypothesis is discussed, the exact test used will be mentioned. A brief discussion of the assumptions underlying the chosen tests is provided in Appendix C.

The seventh hypothesis examines the relationship between conflict and success in buyer-seller relationships in exporting. Most of the seven measures of success are interval or ratio in nature. Conflict, on the other hand, has been measured using ordinal and interval scales. Hence, a combination of nonparametric and parametric tests of association (contingency coefficient, phi-coefficient, Spearman's rank order correlation or correlation coefficient) will be used to test this hypothesis depending on the nature of the data.

V.8: SUMMARY

This chapter provided the details of the research methodology used in the present study. The study

employed a cross sectional survey design and the personal interview method of data collection. Three primarily industrial product categories (textiles, engineering goods and chemicals and allied products) and three primarily consumer product categories (spices, handlooms and handicrafts and leather goods) were chosen for the study. The key variables in the study were operationalized and a structured questionnaire was developed for interview purposes. The questionnaire was pretested to identify potential problems and minor modifications were made to the questionnaire before the final data collection. Table 5.1 provides a summary of the key variables in the study and their operationalization.

A quota sampling method was used to identify the sample for the study. An even distribution of exporters in each of the two context variables - product type and country of import - was aimed for. Fifty eight active exporters were identified from the total sample through the help of the relevant export promotion councils. The persons in charge of the export marketing activities of the firm were interviewed.

The data was collected over a six month time span from seven cities in India. Three of these cities were from the north (Ahmedabad, Bombay and Delhi) and four were from the south (Alleppy, Hyderabad, Madras

and Madurai). The cities were chosen because of the concentration of industries in them and to provide regional representation. The interviews took an average of an hour and a half to complete.

Lack of an appropriate sampling frame, poor responses to the mail survey and unwillingness of respondents to talk to an "unknown" researcher all led to the sample size being smaller than had been initially planned. These factors also led to unequal cell sizes within the sample. However, given the nature of the environment that the researcher had to work in, these problems could not be avoided.

Due to the nonparametric nature of the data, the first six hypotheses were tested using primarily two nonparametric tests - the chi-square and the Mann-Whitney U test. In the case of the final hypothesis which is a test of association, the nonparametric measure of association - the contingency coefficient will be used when the measures are nominal in nature; the phi-coefficient and/or Spearman's rank order correlation when the measures are ordinal and the Pearson Correlation Coefficient when the data is either interval or ratio in nature. Appendix C provides further information on some of the tests used in this study.

Appendix B provides a brief look at the Indian export environment and the overall policies regarding exporting that have been followed in the country. It is felt that this information would provide the necessary background to the reader on the Indian scene and thus aid him/her in better understanding the results of this study.

The first part of the next chapter provides details of the sample characteristics and other preliminary data analyses. This is followed by the results of the tests of hypotheses 1 to 3 (i.e., the product-related hypotheses). The results of the tests conducted for hypotheses 4 to 7 are provided in Chapter 7.

Table 5.1

Operationalization of Key Variables in the Study

Variable	Operationalization	Scale Used
CONFLICT		
1.FRQCONF	Overall frequency of disagreements with buyer	5 point; 1=v.often 5=never
2.CONFLICT	Seller's perceived level of disagreements with buyer	3 point; 1=major, 2=minor,3=none
3.COMPFRQ	Relative or comparative degree of disagreements with buyer	3 point; 1=more, 2=same, 3=less than with others
4.CNCONTR	Frequency of disagreements over contract	5 point; 1=never, 5=v.often
5.CNQUALI	Frequency of disagreements over product quality	
6.CNDELIV	Frequency of disagreements over delivery	
7.CNPROM	Frequency of disagreements over promotion	
8.CNSERV	Frequency of disagreements over service	
9.CNOTHR	Frequency of disagreements over other matters	
DISTANCE		
1.DIST 1	Difficulties in forming friendships with buyer	5 point; Likert type scale; respondent agreed or disagreed with statement; 1=s.disagree, 5=s.agree.
2.DIST 2	Willingness to call the buyer home for dinner	
3.DIST 3	Perception of buyer as being very different from Indians	Positively and

Source: Compiled by the author.

4.DIST 4	Existence of difficulties due to religious differences	negatively worded statements were alternated but were
5.DIST 5	Perception that dealing with buyer is different from dealing with Indians	coded to make lower score mean lesser distance.
6.DIST 6	Existence of difficulties due to religious differences	
7.DIST 7	Perception that special care should be taken while dealing with buyer	
8.OVRCLOS	Overall feelings of closeness to buyer	4 point;1=not at all close, 2=very close.
9.FORMAL	Degree of formality in the relationship	4 point; 1=v.formal 4=v.informal

ADAPTATIONS

1.CHANPR	Degree of changes to the product made by the seller	3 point; 1=major 2=minor;3=none
2.CHNGPRD	Degree of changes to the production process by seller	3 point; 1=major 2=minor;3=none
3.CHNGDEL	Presence/absence of changes to delivery made by seller	Nominal; 1=yes 2=No
4.CHNGCRD	Presence/absence of changes to credit terms made by the seller	
5.CHNGROU	Presence/absence of changes to office routines made by the seller	

POWER-DEPENDENCE

1.BYRSALE	Percentage of sales accounted for by the buyer	4 level;1=less than 10%;2=10-25%;3=26-40%; 41%+

2.BUYRSZ	Percentage of exports accounted for by the buyer	5 level;1=less than 10%;2=10-25%;3=26-50%; 4=51-75%;6=76-100%
3.BYNEED	Percentage of buyer's needs supplied by the seller	As above
4.ALTBYR	Number of alternate buyers that the seller has	Actual number
5.FINDBYR	Ease in finding alternate buyer	3 point;1=yes, easily;2=with difficulty;3= not at all.
6.OTHRSUP	Number of other suppliers that the buyer has in India	Actual number
7.OUTSUP	Number of other suppliers that the buyer has outside India	Actual number
8.INFLUEN	Buyer's ability to influence other firms in his country	3 point; 1=v. influential; 2=somewhat influential 3=not influential

INFORMATION & SOCIAL EXCHANGES

1.LETTER	Frequency of communication through letters	5 point;1=v. often to 5= never
2.TELEX	Frequency of communication through telex	
3.PHONE	Frequency of communication through telephone	
4.MAILNG	Frequency of mailing of special reports	
5.REPORT	Frequency of mailing of market information	
6.OTHER	Other forms of information exchange, if any	

7.INFOEX	Adequacy of information exchange	1=yes;2=No
8.VISIT	Frequency of personal visits	5 point;1=v. often to 5= never
9.YRTRIP	Actual number of trips that the seller has made to the buyer's country	

SUCCESS

Objective:

1.REPEAT	Number of repeat orders that the seller has received from the buyer	Actual number
2.SUCCESS	Success in achieving the sales targets that the seller had set regarding sales to buyer	5 point; 1=v.successful to 5=v. unsuccessful
3.TRNDSAL	Trend in sales to the buyer	5 point;1=decreasing rapidly to 5=increasing rapidly.

Subjective:

1.COOPST	Seller's satisfaction with cooperation shown by the buyer	5 point; 1=v.dissatisfied to 5=very satisfied.
2.SALESST	Seller's satisfaction with sales to the buyer	As above
3.FUTURE	Seller's future plan regarding sales to buyer	1=no more sales, 2=decrease sales, 3=maintain sales 4=increase sales

4.SATISF	Seller's overall satisfaction with the relationship	5 point; 1=v.dissatisfied to 5=very satisfied.

CHAPTER VI

PRELIMINARY DATA ANALYSIS AND TESTING OF PRODUCT-RELATED HYPOTHESES

VI.0: INTRODUCTION

This chapter provides details of the sample characteristics, treatment of the moderator variables and the results of the testing of the first three hypotheses (i.e., the product-related hypotheses). As mentioned in Chapter 5, fifty eight in-depth personal interviews were conducted with export managers in various firms.

Section I of this chapter provides further information on the characteristics of the firms studied while the rest of the chapter discusses the results of the tests conducted on the first three hypotheses. It should be emphasized that only the results of the tests will be provided in this chapter. A detailed discussion of these results and those presented in the next chapter will be presented in Chapter VIII.

VI.1.0: SAMPLE CHARACTERISTICS

VI.1.1: Organizational Characteristics of Sample Firms

The sample consisted of companies with wide differences in major variables such as sales volume, number of employees, years of experience and other organizational variables. Nearly 50% of the firms were medium sized organizations in terms of sales volume (i.e., sales ranging from Rs.5,000,000 to 10,000,000). Ten or nearly 20% of the firms providing sales volume figures had sales of Rs. 10,000,000 or over and were thus large in size. Overall the majority of the firms in the study were found to be medium to large in size.

Organizational size was also measured in terms of the number of employees in the organization. As can be seen from Table 6.1, most firms in the study could again be classified as medium to large in size using this criterion. Nearly 50% of the firms had over 500 employees.

In terms of relative size in the market place- i.e., the market share of the firms studied - it was found that nearly 50% of the firms had over 20% of the Indian market in their respective product categories while a significant proportion (20%) controlled over 60% of the market (Table 6.2). Thus, the study contained some giants in their respective fields.

TABLE 6.1 +

Number of Employees

	No.	%
Under 100	13	23.6%
Under 500	14	25.5
Under 1,000	4	7.3
1,000 +	24	43.6

TABLE 6.2

MARKET SHARE OF SAMPLE FIRMS

	# of firms	% of firms
Less than 10%	16	30.7
10% - 20%	13	25.0
21% - 40%	11	21.2
41% - 60%	1	1.9
60%+	11	21.2
	52	100%

+ Note: All tables in this chapter were compiled by the author using data collected during this study.

To summarize, as far as organizational size is concerned, while a good mix of firms has been obtained, the average firm in the study seems to be medium sized. There were a few extremely large and very small organizations in the sample in terms of sales volume, number of employees and/or market share.

VI.1.2: Type of Organizations Studied:

The majority of the organizations in the study (53.4%) was public limited companies. However, a good proportion (nearly 38%) were companies that were family owned, private enterprises. The rest were either government owned or sponsored organizations. (Table 6.3).

Over half of the firms in the sample (58.6%) were subsidiaries of other companies. Most were subsidiaries of other Indian owned firms but a few were subsidiaries of foreign companies. In such instances, however, the relationship studied was not that with the parent firm but one with another independent importing organization.

VI.1.3: Export Structure of Sample Firms:

In general, the sample consisted of firms with well defined organizational structures to take care of their exporting activities. Nearly one third of the firms studied were entirely export oriented organiza

TABLE 6.3

ORGANIZATIONAL CHARACTERISTICS OF SAMPLE FIRMS

	# of firms	% of firms
Private	22	37.9
Government	3	5.2
Public Limited	31	53.4
Co-op	2	3.4
	58	100%
Subsidiaries of foreign/ Indian firms	34	58.6
Others	24	41.4
	58	100%

tions. These firms sold over 90% of their products abroad and were entirely dependent on their exports for survival. Of the rest, the majority had a department or section to look after exports, while some had a person specifically in charge of exports. Only a small percentage of the firms had no special arrangements to take care of their export activities. In these firms, the marketing manager was also in charge of exports. (Table 6.4)

As Table 6.5 shows, while a significant number of firms did have an export department or section, the number of employees in such departments varied greatly among the firms. Firms with large export departments seem to be exception rather than the rule.

VI.1.4: Experience of Firms in the Sample:

The firms in the sample ranged from companies with a minimum of 4 years to a maximum of 118 years of business experience. As can be seen from Table 6.6, the median figure was 25 years while the mean was nearly 33 years. As far as experience in exporting is concerned, again the range was fairly high - from 4 years to 115 years. Most of the sample firms (74%) had over 10 years of export experience and only 4 had under 5 years of experience in international business.

TABLE 6.4

Organizational Structure for Exports in Sample Firms

Type	# of Firms	% of Firms
Person to Look after Exports	7	12.3%
Dept/section for Exports	25	43.9
Primarily (90% +) Export Oriented	16	33.3
None of the Above	6	10.5
	54	100%

TABLE 6.5

Number of Employees in Export Department

# of Employees	# of Firms	% of Firms
5 or under	9	36%
6 to 9	4	16%
10 to 19	7	28%
20+	5	20%
	25	100%

VI.1.5: Other Export Related Variables:

A look at the percentage of sales coming from exporting in the sample firms provides some interesting insights into the role that exporting plays in these firms (Table 6.7). The firms ranged from those with a small proportion of exports (less than 10% of sales) to those that were almost entirely export oriented (90% or more of sales). Over a third of the firms studied belonged to the latter category.

The large number of entirely export oriented businesses is, perhaps, a concern as this is likely to be above the national average. This bias in favour of primarily export oriented firms is probably due to the manner in which the sample firms were chosen. As indicated earlier, due to the low response rate to the letter requesting participation, the export development agencies were contacted and their help sought in identifying possible participants in the study. The firms that were interviewed were thus more likely to be "serious" exporters than would have been the case had a probability sample been undertaken. However, if a bias had to occur on this variable, it is perhaps better to have a sample biased in favour of "serious" exporters with a commitment to exporting than one with a high number of "marginal" exporters.

TABLE 6.6

EXPERIENCE OF SAMPLE FIRMS

YEARS	EXPERIENCE TOTAL BUSINESS #	TOTAL BUSINESS %	EXPORT #	EXPORT %
Under 5 years	1	1.8	4	7.0
5 - 9	4	7.2	11	18.9
10 - 14	8	14.3	13	22.4
15 - 19	4	7.2	12	20.7
20 - 24	8	14.3	8	13.8
25+	31	55.4	10	17.2
			58	100%

TABLE 6.7

PERCENTAGE OF SALES FROM EXPORTING

	# of firms	% of firms	% of firms (Non-export oriented) (n = 34)
Under 5	10	20	29.4
5 - 9	8	16	23.5
10 - 14	7	14	20.5
20 - 49	9	18	
Primarily export-oriented 90+	16	32	25.5
	50	100%	99.9%

The companies studied varied greatly as far as their reasons for exporting were concerned. Most of the firms got involved in exporting to either increase profits/sales or to avoid problems emerging from a stagnant home market. Very few had become involved in exporting just because of an unsolicited order from a buyer. (Table 6.8).

A look at how the firms got their first export order again indicates that there are more "active" exporters (i.e., those who seek to find markets on their own) than "passive" exporters. Nearly 67% of the sample had received their first order through their own active sales efforts (Table 6.9).

In most cases (52%), the firms in this study sold their products abroad at prices that were lower than what they could get in India. Only 29% received higher prices abroad than in their home markets (table 6.10). The primary motivation for engaging in exporting for the present sample, thus, seems to be noneconomic in nature. As stated earlier, many respondents had given government incentives, the higher status gained by exporting, governmental pressure to export and/or minimum export requirements to get licenses to open factories, as their reason for exporting (these were classified under "other" in the previous table). Obviously, selling abroad is more

TABLE 6.8

REASONS FOR EXPORTING

To increase profit	4
To increase sales	12
Due to stagnant local market	9
Buyer approached	6
Other *	15
Got incentives	4
Don't know	3
More than two	2
Not applicable (entirely export oriented)	13
	74 **

* Other category was primarly split into:

(1) Exports required to get license

(2) Status increase

**Adds up to more than 58 due to respondents checking more than one catagory.

TABLE 6.9

SOURCES OF FIRST ORDER

	# of firms	% of firms
Unsolicited enquiries by buyer	13	23.6
Active effort by seller	35	63.6
Other	7	12.7
	55	99.9%

TABLE 6.10

Price Received For Exports by Sample Firms

Price	# of Firms	% of Firms
Higher than in India	16	28.6%
Same as in India	3	5.4%
Lower than in India	29	51.8%
Not Applicable (100% export oriented)	8	14.3%
	56	100.1%

profitable than selling domestically only to less than a third of the firms.

The percentage of sales accounted for by the importers in the relationships that were studied also varied greatly. For nearly half the firms, the importers studied accounted for over 25% of their total exports (table 6.11A). This indicates that the relationships studied were important to the sample firms as they involved a significant proportion of their exports. The sellers were also probably important to the buyers as in nearly half of the cases (46%), the sellers supplied over 25% of the buyers' needs (Tables 6.11B). Most of the buyers in the relationships studied (40%) were agents but a significant number of firms also exported directly to manufacturers in foreign nations (Table 6.12).

To summarize, the export related variables paint a varied and interesting picture of the firms in the sample. While many were entirely export oriented, there were almost an equal number of firms with insignificant exports (i.e., less than 5% of sales). In spite of the fairly high number of "small" exporters, on average, the firms in the sample seem quite committed to exporting for nearly two thirds of the firms had got their first export order through active sales efforts. Given the lower prices that the majority got

Table 6.11A

Percentage of Exports Accounted For By Buyer

	# of firms	%
Less than 10%	8	13.8
10 - 25%	23	39.7
26 - 50%	13	22.4
51 - 75	9	15.5
76% +	5	8.6
Total	58	100.0%

Table 6.11B

Percentage of Buyer's Needs Supplied by the Exporter

	# of Firms	%
Less than 10%	9	15.5
10 - 25%	12	20.7
26 - 50%	8	14.3
51 - 75%	2	3.6
76% +	15	25.9
Don't Know	10	17.9
Total	56	100.0%

for their products in foreign markets, this would seem rather surprising. One possible explanation is that while exporting may not account for more than 5% of total sales in many firms, it can still be seen as an important activity by these firms due to reasons such as minimum export requirements that have to be met to get licenses, governmental pressure to export, etc. Thus, perhaps, the percentage of sales accounted for by exporting may not be a good measure of the importance of exporting within the sample firms.

The relationships studied were important to the sellers as they accounted for a significant proportion of their total exports. It is likely that these relationships were also important to the buyers as in many cases the sellers provided over a fourth of their needs. Thus, results of the present study may reflect the interaction patterns among Indian exporters and their buyers in relationships that are fairly critical to both the parties.

VI.1.6: Characteristics of the Respondents:

As mentioned in Chapter 5, the respondents interviewed for the study were middle to senior level managers. As table 6.13 shows, in nearly three quarters of the firms, the person in charge of exporting was a middle or senior level manager. In the others, the

TABLE 6.12

TYPE OF IMPORTERS DEALT WITH BY SAMPLE FIRMS

	# of firms	% of firms
Wholesaler	23	45.1
Agent	9	17.6
Manufacturer	14	27.5
Retailer	1	1.9
State Organization	2	3.9
Manufacturer & other	2	3.9
	51	99.9%

TABLE 6.13

MANAGERIAL LEVEL OF RESPONDENT

Managerial Level	Respondents	
	#	%
Junior Management	1	1.8
Middle Management	21	37.5
Senior Management	20	35.7
Owner	14	25.0
	56	100%

owner himself looked after the firm's export activities. Thus exporting seems to have a fairly critical activity in most firms.

Most of the respondents had been employed in the organization over ten years (62%), while nearly a fourth of them having over 20 years of experience in the firm. This is line with their managerial level within these firms (Table 6.14).

Many of the respondents were fairly highly educated with over 25% holding a master's degree and only 12% being without any university level education. However, very few had direct training related to exporting (Table 6.16). Over 50% of the respondents were above 40 years of age and only a small proportion were under 30. This might be due to the fact that in order to be placed in charge of a firm's export marketing activities, the managers had to have served within the company for many years and/or be at least a middle level manager in the organization. Very young, inexperienced people were unlikely to be in charge of exporting. (Table 6.15).

While all the respondents were fluent in English, only 7 of them (12.5%) knew another foreign language (Table 6.17). Similarly, while the majority of the respondents visited foreign countries in their current

TABLE 6.14

YEARS OF SERVICE OF RESPONDENTS

Years	Respondents	
	#	%
Under 5 years	9	18
5 - 9	10	20
10 - 14	13	26
15 - 19	7	14
20+	11	22
	50	100%

TABLE 6.15

AGE OF RESPONDENTS

AGE	RESPONDENTS	
	#	%
Under 30 years	4	7.4
30 - 35	7	13.0
35 - 39	12	22.2
40 - 44	11	20.4
45 - 49	6	11.1
50+	14	25.9
	54	100.00

TABLE 6.16

EDUCATIONAL LEVEL OF RESPONDENTS

Educational Level	Respondents	
	#	%
High School	6	11.8
Bachelors	31	60.8
Masters	14	27.5
	51	100%

TABLE 6.17

LANGUAGE SKILLS OF RESPONDENTS*

Language	Number	Percentage
English only	51	88%
English + one	7	12
	58	100%

*Does not include Indian languages

jobs, very few had lived and/or worked abroad. Consequently, two of the managerial characteristics that were included in the study as moderator variables could not be controlled for during analyses. This led to their omission from the rest of the analyses.

VI.1.7: Importing Country:

One of the main goals of the present study was to examine the role played by the nature of the importer's country (i.e., developed Vs developing) in the relationship between buyers and sellers when the sellers were from a developing nation. Table 6.18 provides details of the importer's nationality as far as the present sample is concerned. As can be seen, the sample contained a greater proportion of exporters to developed nations (39 out of 58). The developed nations represented most were the United States and Canada (15), the United Kingdom (7) and certain western European nations. Among the developing nations, the oil rich nations of the middle east topped the list of importers (n=9), with Asian nations in total accounting for 8. While every effort was taken to get a good distribution of exporters, as the buyer's nationality was not directly controllable, the uneven distribution among developed and developing

TABLE 6.18

IMPORTER'S NATIONALITY IN THE SAMPLE FIRMS

Developing	# of firms	% of firms
Middle East	9	15.5
Southeast Asia	6	10.3
Other Asia	2	3.4
Africa	2	3.4
	19	32.6
Developed		
Eastern Europe/Russia	4	6.9
North America	15	25.9
Australia & New Zealand	5	8.6
United Kingdom /Western Europe	12	20.7
Japan	3	5.2
	39	67.3
TOTAL	58	99.9%

Table 6.19

Products Exported by Sample Firms*

Consumer Goods		Industrial Goods	
Automobiles/cycles	(2)	Automobile/cycle Parts	(9)
Handicrafts	(5)	Raw Spices	(3)
Handloom Goods (Totally Finished)	(7)	Handloom (Yarn/Fabric) and Unfinished Leather	(8)
Small Electrical Appliances	(3)	Diesel Engines/Parts	(6)
Food Stuffs	(2)	Other Tool/parts	(10)
		Miscellaneous Items	(3)
	(19)		(39)

* Number of firms provided in paranthesis

nation-based importers could not be foreseen or avoided. However, as Appendix B shows, this is in line with the overall export pattern of India - developed nations account for a larger percentage of India's exports than developing nations. As such, the present sample can claim to be fairly representative of the current Indian export picture.

VI.1.8: Products Exported by Sample Firms:

Table 6.19 provides details of the type of products exported by the firms in the present study. As can be seen from the table, there were more industrial product exporters than consumer product exporters (39 Vs 19). The lists of exporters available in India were based on the industry type to which the exporter belonged (e.g., hand loom and handicraft exporters, engineering goods exporters, etc). As mentioned earlier, these categories did not contain entirely industrial or consumer product exporters but were often a mixture of both. The industries chosen for the study were selected on the basis of the likelihood of getting an equal number of industrial and consumer product exporters. For example, it was felt that the hand loom and handicraft category would provide more consumer goods exporters than industrial goods exporters. However,

Table 6.20

Product Type and Conflict - Results of T-tests

Variable	# of	Mean	Std.Dev.	T Value
FRQCON: Overall Frequency of Conflict				
Consumer Product Exp.	19	3.5789	0.838	0.99
Industrial Product Exp	32	3.3438	0.787	
CNCONTR: Frequency of conflict over contract				
Consumer Product Exp.	13	1.4615	0.776	0.07
Industrial Product Exp	27	1.4444	0.751	
CNQUALI: Freq. of Conflict over product quality				
Consumer Product Exp	17	2.0000	0.866	-0.33
Industrial Product Exp.	32	2.0938	1.058	
CNDELIV:Freq. of conflict over Delivery				
Consumer Product Exp.	17	2.4118	1.004	-1.86 *
Industrial Product Exp.	31	3.0000	1.125	
CNPROMO:Freq. of conflict over Promotion				
Consume Product Exp.	11	1.1818	0.603	-0.80
Industrial Product Exp.	18	1.3889	0.778	
CNSERV: Freq. of Conflict Over Repair/service				
Consumer Product Exp.	12	1.1667	0.577	-0.58
Industrial Product Exp.	21	1.2857	0.561	
CNOTHR: Freq. of Conflict over other matters				
Consumer Product Exp.	12	1.5837	0.996	0.01
Industrial Product Exp.	19	1.5789	0.961	

* Significant at p .05 level

this was not always found to be the case - the hand loom and handicrafts category was found to include exporters of hand loom fabrics (an industrial good) and exporters of finished items such as table cloths, tea towels, etc. Thus, the final sample consisted of more number of industrial exporters than consumer product exporters.

The most common industrial products exported (in the sample) were machine tools/parts and auto parts. The most common consumer goods exported were hand loom "madeups" (e.g., towels, table linen, etc).

The results of the tests conducted for evaluating the product related hypotheses (i.e., hypothesis 1 to hypothesis 3) will be discussed in the next section.

VI.2.0: PRODUCT RELATED HYPOTHESES

As mentioned earlier, the first three hypotheses dealt with the differences among consumer product exporters and industrial product exporters (CPEs and IPEs) in their relationships with their buyers. More specifically, it was hypothesized that: (1) IPEs will experience a higher level of conflict with their buyers than CPEs (H1); (2) the number of adaptations required in the case of IPEs will be greater than in the case of CPEs (H2); and (3) the level of dependence

of IPEs on their buyers will be greater than in the case of CPEs (H3), all as perceived by the exporters.

The independent variable in these hypotheses was the product category (industrial Vs consumer) - which is a nominally scaled variable. The dependent variables were measured using nominal, ordinal, and/or interval scales. Hence the tests used to test these hypotheses differed - the details of these will be provided as each hypothesis is being discussed.

Once again, it should be emphasized that the researcher intends to provide only the results of testing of the hypotheses in this chapter. These results will be discussed in detail in the eighth chapter when all the results will be looked at together.

VI.2.1: Product type and Conflict:

Hypothesis 1 dealt with the level of conflict in buyer seller relationships. Specifically, it stated that

> *The relationship between developing country based exporters and their buyers will be characterized by higher levels of conflict (as perceived by the sellers) when the product exported is an industrial product rather than a consumer product.*

The dependent variable - conflict - was measured using four different measures. These were:

1. Overall frequency of conflict (FRQCONF): Measured using a five point interval scale with '1' being "very often" and '5' being "never".
2. Level of Conflict (CONFLICT): Measured using a three point ordinal scale with '1' standing for "major conflict", '2' for "minor conflict" and '3' for "no conflict".
3. Relative Conflict (COMPFRQ): Measured using a three point ordinal scale with '1' being "more than with other buyers", '2' being "same as with other" and '3' standing for "less than with other buyers".
4. The seller's perceived frequency of disagreements with the buyer over specific issues (e.g., contract terms, product quality, packaging, etc). This was also measured using a five point scale of "very often" to "never".

Since the scales used varied in nature, no single measure of conflict was developed. Instead, this hypothesis was tested using each individual measure of conflict on a separate basis. In the case of the interval scaled overall frequency of conflict measure,

t-tests were used. The other two ordinal measures were tested using a non-parametric test - the Mann-Whitney U test.

As can be seen from table 6.20, the first measure of conflict - i.e., the overall frequency of conflict - did not yield any statistically significant results. The two groups did not differ significantly in the overall frequency of conflicts between the exporters and their buyers.

The second measure of conflict - i.e., the level of conflict - was measured using an ordinal scale and hence was tested using the non-parametric Mann-Whitney U test. A cross tabulation of respondents based on the level of conflict was also carried out. Neither of the above tests yielded statistically significant results.

The third measure of conflict, the comparative level of conflict or the number of conflicts with this buyer compared to all other buyers, was tested using the same non-parametric test (i.e., the Mann-Whitney U test). Once again, the differences between the comparative levels of conflict experienced by industrial and consumer product exporters were not found to be statistically significant (table 6.22).

Table 6.21

Product Type and Level of Conflict - Results of Mann-Whitney U Tests

Variable	Mean Rank	# of Cases	U	Z
CONFLICT: Level of disagreements with buyer (major/minor/none)				
Consumer Product Exp.	29.34	19	334.5	-0.3794
Industrial Product Exp.	28.04	37		

Table 6.22

Product Type and Comparative Level of Conflict - Results of Mann-Whitney U Test

Variable	Mean Rank	# of Cases	U	Z
COMPFRQ: Comparative Level of Conflict (More/same/less)				
Consumer Product Exp.	27.24	17	285.0	-0.2702
Industrial Product Exp.	26.14	35		

Five potential areas of conflict had been identified in the study - conflict over contract terms, product quality, delivery, promotional assistance provided by the seller, and repair services provided by the seller. A final category labelled "other" was used to incorporate areas that may have been omitted. As can be seen from table 6.20, in almost all these areas of conflict, IPEs did experience a higher level of conflict than CPEs. In one of the above areas - i.e., conflict over delivery, the differences between industrial and consumer product exporters was found to be statistically significant at .05 level. As hypothesized, industrial product exporters had experienced a significantly higher level of conflict than the others on matters related to delivery.

To summarize, this hypothesis using the three measures of conflict was not supported by the data. Industrial product exporters were not found to have significantly higher levels of conflict than those exporting consumer goods. However, it should be emphasized that differences were present and they were in the hypothesized direction. The implications of these findings will be discussed in greater depth in section VIII.1.1.

Table 6.23

Product Type and Adaptations to the Product - Results of Mann-Whitney U Test

Product Type	Mean Rank	# of Cases	U	Z	p
Industrial	23.64	35	197.5	-1.517	.0647
Consumer	29.83	15			

Table 6.24

Product Type and Changes to Delivery

Product Type	Changes to Delivery (n) Yes	No	Total N
Consumer Product Exp.	15	2	17
Industrial Product Exp.	20	11	31
Total N	35	13	48

Chi-square = 3.12780; Degrees of Freedom (D.F) = 1; p=.077
Cells with Expected Frequency (E.F.) 5 = 25%

VI.2.2: Product Type and Adaptations by the Seller:

The second hypothesis dealt with differences between IPEs and CPEs in the number and level of adaptations. Specifically, it was hypothesized that:

> *In the relationship between developing country based exporters and their buyers, the number and level of adaptations required of the seller (as perceived by the seller) will be higher when the product exported is an industrial good than when it is a consumer good.*

The number and level of adaptations was measured as follows:

1. Presence/absence of changes in product (CHANPR) and production processes (CHNGPRO) as seen by the sellers: measured using a three point ordinal scale with 1 being "major change", 2 "minor change" and 3 "none".
2. Changes to delivery, credit terms, office routines and/or carrying of special stock for the buyer as perceived by the sellers (called CHNGDEL, CHNGCRD, CHNGROU and SPLSTOK respective-

ly): measured using a nominal scale of 1 "yes" and 2 "no".

Of the above, changes to product and production processes are considered to be more important indications of adaptations than the others. In most instances, changes to delivery schedules, credit arrangements, office routines and carrying of special stock are less difficult and expensive to implement for the sellers.

As in the case of the first hypothesis, when the dependent variable was nominally scaled, chi-square test was used and when the dependent variable was measured using an ordinal scale, the Mann-Whitney U test was used.

Of the two critical measures of adaptations, one--i.e., changes to the product - provided statistically significant results. As table 6.23 shows, the M-W U test had a Z value of - 1.517 with a one tailed probability of 0.0647. The mean rank for exporters of industrial products was lower than for those exporting consumer goods (23.64 Vs 29.83) indicating that the adaptations required of the former was greater than that expected of the latter (as seen by the sellers). (Note that the lower the adaptation score on this measure the higher the level of adaptation required).

Table 6.25*

Product Type and Percentage of Sales Going to the Buyer

Percentage of Sales Going to Buyer	Product Type (n) Industrial	Consumer	Total N
Less than 10%	21	5	26
10 - 25%	5	5	10
26 - 40%	3	4	7
Total	29	14	45
Mean Rank	27.50	19.34	

Chi-square 5.41544 D.F. = 2 sig = .067

U 126; z -2.2855; p=.0111

Table 6.26

Product Type and Percentage of Exports Going to Buyer

Percentage of Exports	Product Type (n) Industrial	Consumer	Total N
Less than 10%	1	7	8
10 - 25%	6	17	23
26 - 50%	7	6	13
51 - 75%	1	8	9
76% +	5	0	5
Total	20	38	58
Mean Rank	26.09	35.97	

Chi-square 16.26232 D.F. 4 p=.0027

U 250.5; Z -2.2091; p=.0136

* Please refer to Table 6.11A for verification.

Only one of the second set of measures of adaptations yielded significant results. Interestingly, a higher proportion of consumer goods exporters were likely to have made changes to delivery (64.5% of industrial Vs. 88.2% of consumer; p=.08). (Table 6.24)

To summarize, for one important measure of adaptations - i.e., changes to product - the results were in the hypothesized direction with sellers of industrial products making more major adaptations than those selling consumer goods. Of the other measures of (minor) adaptations used in the study, one - i.e., changes to delivery - yielded significant results. A higher proportion of consumer goods exporters were found to have made changes to delivery schedules than those selling industrial goods.

VI.2.3: Product Type and Dependence

The third relationship variable to be examined was the dependence between the parties. Specifically, the third hypothesis stated that:

> *In the relationship between developing country based exporters and their buyers, the exporters would perceive themselves to be more dependent on their buyers when the pro-*

duct exported is an industrial rather than a consumer good.

As in the case of the other two hypotheses, a summary of the measures of the dependent variable used in this study is provided below:

1. Percentage of sales and exports accounted for by the buyer(BUYSZ, BUYRSAL: Measured using a five point ordinal scale (1=less than 10%; 2=10 to 25%; 3=26 to 50%; 4=51 to 75%; 5=76% and up)
2. Percentage of buyer's needs regarding this product that the seller provides (BYNEED): Measured using a five point ordinal scale (as in (1) above).
3. Ease in finding an alternate buyer (FINDBYR): Measured using a three point ordinal scale (1=cannot find another buyer; 2=can find but with difficulty; 3=can find easily).
4. Number of suppliers (in the seller's opinion) that the buyer has in India and other countries (OTHRSUP and OUTSUP): Measured using a ratio scale of absolute values but converted to an ordinal scale.
5. The number of alternate buyers available to the

seller outside India - OUTBYR -(actual number- later converted to an ordinal scale); and

6. The seller's perception of the buyer's ability to influence other firms in his country - INFLUENC- (three point scale - very influential, somewhat influential or not influential).

Of the above, the last measure (i.e., the seller's perception of the buyer's ability to influence others) had to be dropped from further analysis due to the narrow range in the responses to this question. Most of the respondents had answered that, in their opinion, their buyers had no influence in the market place.

While six measures were used in the present study, some may be more relevant to the testing of the hypothesis than others. The primary rationale for hypothesizing that Indian exporters would be more dependent on their buyers when the product being exported was industrial rather than consumer was that these exporters would find it more difficult to find alternate buyers for their products. It was also felt that the sellers would be aware that the buyers had many alternate suppliers and hence would feel less powerful (or more dependent) on them. Consequently, the third and fourth measures of power-dependence

(ease of finding other buyers and the seller's perception of the number of alternate suppliers that the buyer has) are of greater interest in the present study.

Once again, in the case of the ordinal scaled measures, the Mann-Whitney U test was used to test the hypothesis. As can be seen from tables 6.25 and 6.26, significant differences between the dependence level of the two types of exporters were found. The direct measures of dependence that the seller has on the buyer - i.e., the percentage of exports and the percentage of sales accounted for by the buyer - both yielded statistically significant results. A higher proportion of industrial product exporters had buyers who accounted for small amounts of their total sales (less than 10%) than in the other group. Consumer goods exporters, in general, seem to have buyers who account for very high amounts of their total sales- over 70% had buyers who accounted for 26% or more of their sales. Thus, based on sales alone, industrial exporters seem less dependent on their buyers than their consumer counterparts. This is contrary to what was hypothesized in the study.

When we look at their ease in finding another buyer, the picture changes somewhat. Consumer goods exporters seem less dependent on their buyers than

those selling industrial goods. 22% of those selling consumer goods said that they could find another buyer easily, while only 5.6% of the other group felt so. Even more interestingly, nearly 95% of the industrial product exporters felt that they would have difficulty in getting a new buyer or may never find another buyer. Thus, as far as the ease with which alternate buyers can be found, the results are in the hypothesized direction. (Table 6.27A)

The power-dependence balance in a relationship can also be a function of how many alternate sellers the buyer is perceived to have. Using this measure, industrial exporters do appear to be more dependent on their buyers for they perceive their buyers has having more alternate sources of supply than their counterparts in the consumer goods sector. Interestingly, the buyers that these exporters dealt with were more likely to have suppliers outside India, but less likely to have suppliers in India. The buyers of consumer goods from India, on the other hand, had a higher number of suppliers within the country and outside it. The difference between industrial and consumer goods exporters in the number of suppliers outside India was statistically significant using the Mann-Whitney U test ($p = .053$).(Table 6.27B). This is in the hypothesized direction as the dependence that a seller

Table 6.27A

Product Type and Ease of Finding Alternate Buyer

Ease of Finding Alternate Buyer	Product Type Industrial	Consumer	Total N
Can find easily	2	4	6
With difficulty	34	14	48
Total N	36	18	54
Mean Rank	26.19	30.11	

U = 277.0 Z = -0.9510 p = .1708

Chi-square = 3.37500 D.F.=2 p = .066

Table 6.27B

Product Type and Number of Outside Suppliers

Product Type	Mean Rank	# of Cases	U	Z
Industrial	16.79	19	61.0	-1.6123
Consumer	11.60	10		

has on the buyer is likely to be higher when the seller perceives that the buyer has alternate sources.

Another interesting finding (though not a statistically significant one) was the CPEs were less likely to supply more than 25% of their buyer's needs (for the particular product) than IPEs. Only 45.5% of the CPEs supplied more than 25% of their customers' needs while over 60% of the IPEs did so. Apparently, the CPEs were minor suppliers to their buyer compared to IPEs - which should decrease their power in the relationship and hence increase their dependence on their buyers.

To summarize, the third hypothesis is partly validated as using 4 of the six measures of adaptations (percentage of sales accounted for by the buyer, percentage of exports going to the buyer, number of outside suppliers that the buyer has and the seller's perceptions of the ease of finding an alternate buyer) the differences between the two groups were found to be significant. Compared to those selling consumer goods, industrial product exporters perceived more difficulties in finding another buyer and knew that their buyers had more suppliers outside India. Thus their dependence on their buyers is likely to be greater than that of those selling consumer goods. On the

other hand, in terms of sales alone, consumer goods exporters seem more dependent on their buyers than others. Thus, the power-dependence balance in the relationship seems to vary with the operationalization of dependence used in the study. The causes and implications of these findings will be discussed in greater detail in section VIII.1.1.

VI.3: TESTING THE EFFECTS OF THE MODERATOR VARIABLES

As was mentioned in Chapter 5, the present research study was interested mainly in looking at the influence of product type and importer's nationality on the relationships of developing country based exporters and their buyers. However, several other contextual variables such as organizational characteristics (e.g., export experience), managerial characteristics (e.g., managerial attitudes towards exporting) and industry characteristics (such as fluctuations in demand) may also influence buyer-seller relationships. Based on past research, seven of these moderator variables had been chosen for further examination in the present study. These were: export experience, total business experience, and size of the firm; managerial attitudes towards exporting, manager's knowledge of foreign languages, the manager's foreign experience, and industry characteristics. Of

these, the manager's knowledge of foreign languages and his foreign experience had to be eliminated from further analysis due to the extremely small number of managers who had either one of the above. Thus, only six moderator variables were left to be analyzed. In this section, the method of incorporating these variables and the tests conducted with them will be discussed. For ease of reference, a list of moderator variables and the measures used are given in table 6.28.

VI.3.1: The Moderator Variables - an Initial Look:

As can be seen from table 6.28, the moderator variables fall into three major categories: (1) Organizational (2) Managerial and (3) Industry characteristics. Each of these was analyzed separately first. To begin with, the correlations between the variables under each category was examined to see if these variables were inter-correlated. As Churchill (1979) states, when correlations among the predictor variables or multicollinearity exists, it "reduces the efficiency of the parameters" as the "amount of information about the effect of each variable on the criterion variable declines as the correlation among the (predictor) variables increases" (p. 522).

Table VI.28

Moderator Variables and their operationalization

Variable	Operationalization
1. Organizational size	Total sales in Rupees Total number of employees (Actual figures - ratio scale)
2. Age of the firm	Years in operation (Actual number of years - ratio scale)
3. Export experience	# of years since exporting began (Actual number of years - ratio scale)
4. Managerial Expectations from Exporting	Perceived effects of exporting on the following: profits, growth, security of investment, sales stability, new market development and the firm's contribution to the country's economic growth. (Measured using a five point interval scale - "1" decrease greatly" to "5" increase greatly)
5. Knowledge of Foreign Languages	Number of foreign languages known and degree of fluency in them. (Actual number - ratio scale; 3 point ordinal scale for fluency - good, limited, very limited)
6. Foreign experience	Number of years spent abroad working or living. (Actual number - ratio scale)
7. Industry characteristics	Perceived features of the industry - (a) Stability in terms of product changes, customer needs, etc. (b) Predictability of trends (c) Rate of change (d) Presence of cyclical/seasonal fluctuations (e) Riskiness (f) # of competitors (g) Presence of severe competition (4 point (Likert-type) interval scale)

Source: Compiled by the author.

As table 6.29 shows, the organizational variables (years in business, export experience, and both the measures of organizational size - sales volume and number of employees) are all highly correlated. The organizational variable "years in business" has the highest correlations with all other variables.

Of the managerial variables two had already been eliminated from further analysis. Of the seven questionnaire items measuring managerial expectations from exporting, six were very highly correlated. In many cases, the correlations between the statements were as high as 0.78 or above. Thus, it is clear that a person's response to one of these statements is highly correlated to his responses to other statements regarding his expectations from exporting. Once again, if such a high degree of correlation exists, it is hardly worthwhile to examine the effects of each of these items on the relationships between buyers and sellers (Table 6.30). "Expectations regarding the effects of exporting on profits" seemed to correlate highly with the rest and hence it was chosen as the managerial variable to be used in the reanalysis of hypotheses one, two and three.

Among the industry variables, the correlations among the variables was slightly lower. Even here though, strong correlations were found among five of

Table 6.29

Correlations Between Organizational Variables

	SALES (Sales Volume)	EMPL (# of Employees)	YRSBUS (Years of Bus. Exp)	EXPERIEN (Export Experience)
SALES		.0731 (49)	.3472** (48)	.4520* (50)
EMPL			.4466* (54)	.1057 (55)
YRSBUS				.7096* (56)

* p = .000 ** p = .008

Table 6.30

Correlations Between Managerial Attitude Variables

	EXPPRF	EXPGRTH	EXPRISK	EXPSTAB	NEWMKT	INDGRTH
EXPPRF Profit Expectations		.8767 (50) .000	.7403 (48) .000	.8677 (47) .000	.7880 (45) .000	.7880 (47) .000
EXPGRTH Growth Expectations			.7849 (48) .000	.8477 (47) .000	.8705 (45) .000	.8698 (47) .000
EXPRISK Reduced Risk				.7816 (46) .000	.8831 (45) .000	.8580 (46) .000
EXPSTAB Sales Stability					.8691 (45) .000	.8451 (47) .000
NEWMKT Development of New Mkts						.8753 (45) .000
YRSBUS Total Business Experience	-.2436 (49) .046	-.3080 (48) .017	-.1325 (46) .190	-.2934 (45) .024	-.2722 (43) .039	-.2581 (45) .043

the seven items. These correlations were significant at .05 level or better. Table 6.31 provides details of this analysis. Besides, a reliability test conducted on the seven industry items in the questionnaire indicated that developing a combined industry score would be appropriate. The reliability of such a scale was very high (.80) thus indicating that the use of all the items in the scale and forming a summated score is statistically acceptable. (Details of the reliability tests and its results are provided in Appendix D).

Given the high inter-correlations among the groups of moderator variables and the resulting multicollinearity issues, each moderator variable was not used separately in the re-testing of the first three hypotheses. Instead, one variable in each group - the one with the highest correlations to the others - was used for this purpose. These variables were - "Years in Business" or "YRSBUS" (for organizational variables), "Managerial Expectations Regarding the Effects of Exporting on Profitability" or "EXPRF" (for managerial expectations from exporting), and "Total Industry Score" (IND00) were used in the retesting of hypotheses one, two and three.

The chosen variables were first transformed into nominal variables by using the median as the cut off

Table 6.31

Correlations Between Industry Variables

	Ind22	Ind33	Ind44	Ind55	Ind66	Ind77
Ind11	0.2914 (47) .023	0.5558 (48) .000	0.1296 (47) .193	0.3223 (44) .016	0.1169 (50) .209	0.2680 (48) .033
Ind22		0.4341 (45) .001	0.3488 (44) .010	0.4109 (41) .004	-0.0411 (46) .393	0.0583 (43) .355
Ind33			0.2474 (45) .051	0.3234 (42) .018	-0.1026 (47) .244	0.0669 (46) .331
Ind44				0.5526 (42) .000	0.4108 (47) .002	0.1449 (46) .168
Ind55					0.1252 (45) .206	0.0663 (44) .335
Ind66						0.5683 (49) .000

point. For example, the variable "Years in Business" had a median value of 25 and hence firms with 25 years or less of business experience were grouped together and firms with more than 25 years of experience formed the other group. These bi-level nominal classifications were then used in the second round of chi-square analyses done to test the first three hypotheses to evaluate the effects of the moderator variables.

VI.3.2: Retesting of Hypothesis 1 With Moderator Variables:

As was mentioned under section VI.2, none of the three measures of conflict (i.e., overall frequency of conflict, the level of conflict and the comparative degree of conflict) had not yielded statistically significant results. When the areas of conflict was examined, it had been found that industrial product exporters did experience a higher frequency of conflict over delivery than those selling consumer goods. To test for the effect of the moderator variables, the chi-square tests were repeated for these measures of conflict with the effects of each moderator variable being controlled for (one at a time). As discussed in the previous section, one variable in each category was chosen for these tests due to the high correlations among the variables in each category.

The tests indicate that none of the moderator variables had any significant impact on the results. Only two chi-square tests provided significant results when the effects of total business experience being controlled for. Even here, the differences between the two groups were significant only under certain conditions (i.e., only for exporters with more than 25 years of experience). As table 6.32 shows, even when the effects of total business experience was controlled for, industrial product exporters did experience a signficantly higher level of conflict over delivery than the others. The other conflict measure that yielded significant results (with total experience controlled for) was the overall frequency of conflict. This variable had not yielded significant results earlier.

In both cases, the results were in the hypothesized direction - i.e., exporters of industrial goods had a higher frequency of conflict and a more frequent conflicts over delivery than those exporting consumer goods. In the case of the other two moderator variables - i.e., managerial expectation regarding effects of exporting on profitability and industry characteristics - none of the cross tabulations yielded significant chi-square values. Thus, it can be said that the inclusion of the moderator variables did not signifi

Table 6.32

Product Type and Frequency of Conflict - After Controlling for Age of the Firm*

Conflict Var.	Product Type Industrial	Consumer	Chi-sqr	Sig.	Cells C E.F.<5
FREQCON (Overall frequency of conflicts)					
Sometimes or frequently	12	5	4.5885	.032	50%
Rarely or never	2	6			
Total	18	11			
CNQUALI (Conflicts over Delivery)					
Sometimes or Frequently	7	2			
Rarely or Never	7	9			
Total	14	11			

* For firms with 25 years or more of total business experience.

cantly affect the results regarding the first hypothesis.

VI.4.3: Retesting of Hypothesis 2 With Moderator Variables:

The procedures that were used in the reexamination of hypothesis 1 were also used for the retesting of the second hypothesis. Significant differences between industrial and consumer goods exporters were found in the amount of changes to product and delivery in the initial tests. When the chi-square tests were carried out with the effects of the moderator variables being controlled for, differences between the two groups regarding the extent of changes in product again came out as significant with all the three moderator variables (see tables 6.33A and 6.33B). The results were also in the hypothesized direction- i.e., IPEs made more changes to the product than CPEs. In all instances, however, the moderator variables seem to play a role only under certain circumstances. For example, years of experience seem to influence the results only in the case of firms with more than 25 years of experience. For the other group (firms with 25 or less years of experience), the difference between IPEs and CPEs in the number and level of

Table 6.33A

Product Type and Adaptations -After Controlling For Industry

Level of Product Adaptations	Product Type Industrial	Consumer	Chi-square	Sig
Some Adaptation	4	19	9.20497	.0024
No Adaptation	3	0		

Cells with E.F. less than 5 = 50%

Table 6.33B

Product Type and Adaptations -After Controlling for the Age of the Firm

Level of Product Adaptations	Product Type Industrial	Consumer	Chi-squre	Sig
Some Adaptation	5	14	7.53216	.0061
No Adaptation	4	0		

Cells with E.F. less than 5 = 50%

changes made to the product was not statistically significant.

VI.4.4: Retesting of Hypothesis 3 With Moderator Variables:

Following the same procedures (i.e., using the median as the cutoff point and redoing the chi-square tests), the hypothesis regarding the level of dependence of industrial and consumer goods exporters was retested. In this case, the dependent variables which were on a ratio scale (e.g., the percentage of exports accounted for by the buyer) were also recoded into nominal variables. Again, these variables were recoded using the median as the cut off point into two groups - firms with scores at or below the median and firms with scores above the median.

As was stated in section VI.3.3, the differences between the two groups were found to be significant on four of the six measures of dependence (the percentages of exports and sales going to the buyer, the number of outside suppliers that the buyer has and the ease of finding an alternate buyer). Of these, the last two were in the hypothesized direction with the buyers of industrial products having a greater number of outside suppliers and the industrial exporters perceiving greater difficulties in finding alternate

buyers for their products. Thus, using these two measures, exporters of industrial goods had a higher level of dependence on their buyers than those selling consumer goods. However, using the other two measures of dependence, the results were in the opposite direction - i.e., consumer goods exporters had a higher percentage of sales and exports going to the buyers than the others and hence could be expected to have a higher dependence on their buyers.

As tables 6.34A and 6.34B show, the percentage of exports going to the buyer and the percentage of sales going to the buyer were found to be significantly different even after accounting for two moderator variables. Once again, among respondents who scored below the median on industry fluctuations in demand, more consumer goods exporters were found to have a higher percentage of sales going to the buyer than the others ($p=.05$). The same results were found when companies with total business experience of 25 years or less were analyzed ($p=.04$) (Tables 6.35 & 6.36). Once again, exporters of industrial goods were found to be selling a lower percentage of their total sales to their buyers than their consumer goods counterparts.

In the case of managerial expectations regarding the effect of exporting on profitability, two of the measures of the dependent variable yielded signifi

Table 6.34A

Product Type and Percentage of Sales Going to Buyer
- After Controlling for Industry Characteristics*

Percentage of Exports going to Buyer	Product Type Industrial	Consumer	Chi-square	Sig
Below Median	3	11	3.80233	.05
Above Median	10	8		

Cells with E.F less than 5 = None

* for firms with below median Industry scores.

Table 6.34B

Product Type and Percentage of Exports Going To Buyer
- After Controlling for the Age of the Firm*

Percentage of Exports going to Buyer	Product Type Industrial	Consumer	Chi-square	Sig
Below Median	1	12	5.99829	.014
Above Median	8	8		

Cells with E.F less than 5 = 50%

* for firms with less than 25 years of total business experience

Table 6.34C

Destination of Exports and Special Concessions to the Buyer
- After Controlling for Profit Expectations+

	Destination of Exports Developing	Developed	Chi-sqr	Sig
Yes, Provided Special Concessions	8	3	8.56782	.0034
No Special Concessions	6	21		
Total	14	24		

+ For managers with below median scores on profit expectations (lower scores indicate that these managers do not expect exporting to contribute to the firm's overall profit picture).

cant results - the number of suppliers outside India that the buyer has and special concessions made to the buyer.

To summarize, in only 6 of the 128 instances, did the inclusion of the moderator variables yield statistically significant results. In all except one of these instances, the results were similar to those found in the first round of tests. That is, the inclusion of the moderator variables did not change the results but seem to reconfirm them. In one case alone, (overall frequency of conflict) a variable that had not been found to be significant was found to be so with the inclusion of the moderator variable of managerial expectations. Thus, overall, the moderator variables did not seem to add very much to the analysis or change the results of the previous tests regarding the first three hypotheses in a major way.

VI.4: SUMMARY

This chapter provided details of the sample characteristics and the results of the tests conducted on the first three hypotheses. Overall, the firms in the study were found to be medium to large in size, experienced, with a fairly high commitment to exporting as indicated by the presence of an export department and/or a high proportion of exports to total

Table 6.35

Product Type and Percentage of Sales going to Buyer
-After Controlling for Age of the Firm

Percentage of Sales going to Buyer	Product Type Industrial	Consumer	Chi-square	Sig
Below Median	3	10	4.03277	.044
Above Median	7	4		

Cells with E.F. less than 5 = 25%

* For firms with 25 years or less of total business experience

Table 6.36

Product Type and Number of Suppliers Outside India
- After Controlling for the Firm's Age*

Number of Suppliers Outside India	Product Type Industrial	Consumer	Significance of Fisher's Statistic
Below Median	4	3	.071
Above Median	0	5	

Table 6.37

Product Type and Number of Outside Suppliers
- After Controlling for Profit Expectations+

# of outside Suppliers	Product Type Industrial	Consumer	Significance*
Below Median	2	0	.067
Above Median	0	4	

* Significance of Fisher's Test Statistic provided.

\+ For firms with managers who feel that exporting can increase a firm's profit.

sales. Most had actively sought their first export order and still continued to seek exports in a similar manner. Yet most do not seem to get a better price for their products in foreign markets than in the domestic one. The relationships studied appear to be important to the sellers as in many cases it accounted for over 25% of their total sales. Most of the importers in the relationships studied were agents with a significant number being manufacturers.

The managers interviewed were middle level or higher, middle aged, well educated and with a lot of experience in their organizations. The majority had never lived/worked outside India, but had visited other countries on business trips. All were fluent in English but only a handful knew any other foreign language.

A good distribution of exporters to developed and developing countries was achieved (in terms of number of importing nations represented in the study), but the sample was skewed in favour of exporters to developed nations. Similarly, while a variety of industrial and consumer product exporters are included in the study, the sample favours industrial goods exporters (39 Vs 19). Thus, the cells in each category are not of equal size but, as mentioned earlier, this was

expected due the problems faced during sample selection and data collection.

Regarding the hypotheses, considerable support was found for the third hypothesis - on product type and dependence. Industrial product exporters were, as hypothesized, found to be more dependent on their buyers as far as their ease in finding another buyer and the number of alternate sources their buyer had were concerned. The second hypothesis received partial support using one of the major measures of adaptation - i.e., changes to the product. The first hypothesis - on product type and conflict - was not supported by the data. While the two groups did not differ significantly industrial product exporters, were, as hypothesized, found to have a higher frequency of conflict over delivery than those exporting consumer goods.

The introduction of the moderator variables did not affect the results in any significant manner. In most cases, variables that had yielded significant results in the initial testing were also found to be significant when the effects of the moderator variables were controlled for. In addition, the moderator variables were found to be significant only under certain conditions - e.g., when the firms with more than 25 years of experience were analyzed but not when

those with less than 25 years of experience were looked at.

The next chapter will provide the results of the tests conducted on the next four hypotheses. The effects of the moderator variables will be tested using similar procedures.

CHAPTER VII

HYPOTHESES RELATED TO EXPORT DESTINATION, DISTANCE AND CONFLICT

VII.0: INTRODUCTION

This chapter discusses the results of the tests conducted to examine hypotheses four and five - i.e., the hypotheses related to the importer's nationality. This is followed by the results of the tests of the last two hypotheses which examine the relationship between information and social exchange and distance (H6) and between conflict and success (H7).Again, the chapter provides the only the results of the hypotheses H4 to H7; the discussion of these results will be carried out in the next chapter.

The tests used to examine the first two hypotheses are similar to those employed to test the last two hypotheses. Again, in the case of nominal variables, the chi-square was used while the Mann-Whitney U test was used with ordinal data. The last two hypotheses require tests of association. Hence when the variables measured using interval and/or ratio scales the parametric Pearson correlation coefficient was used; when the variables were measured using ordinal/nominal

scales the nonparametric equivalents of the Pearson correlation coefficient were used.

VII.1: DISTANCE BETWEEN THE PARTIES (H4)

Would Indian exporters feel closer to (or less distant from) their buyers when the buyers were from other developing nations rather than from the developed world? Would the economic/technical/cultural differences between them and their developed country-based buyers lead to a higher level of perceived distance? Hypothesis 4 dealt with this aspect of the buyer-seller relationship; specifically, it had been hypothesized that:

> *In the relationship between a developing country based seller and its buyers, the seller's perceived level of distance between the parties will be higher when the buyer is from a developed nation rather than a developing nation.*

As mentioned in chapter five, nine measures of distance were used in the present study (please refer to table V.1 for details). These had been combined to form a single measure of distance in two ways. The first scale had all nine items in it; the second one

had only seven items - two items were excluded as reliability testing had indicated that the reliability of the scale would be improved if these two items were excluded.

This hypothesis was examined using the t-test. First, the differences in the distance felt by exporters to developed and developing nations using the nine and seven item distance scales were examined. This was followed by an examination of each item in the distance scales. As can be seen from table 7.1, only in four instances were the results of the t-tests statistically significant.

When the total score on the seven distance items were combined, exporters to developing countries were found to have significantly higher levels of perceived distance from their buyers than those exporting to developed nations. Similar results were also found when the seven items were analyzed individually. Exporters to developing countries were more likely to feel that their buyers were very different from Indians than those exporting to the developed world. Further more, they were also more likely to feel that they had to take special care when dealing with their buyers than exporters to developed nations. Thus, these exporters perceived a greater distance from their buyers than the others in the study.

Table 7.1*

Destination of Exports and Distance - Results of T-tests

variable	n	Mean	T-value	D.F.
DIST SCALE 1$	11 27	32.9091	2.22*	15.48
DIST SCALE 2$$	11	24.7273	2.80*	18.59
DIST 1				
Developing	17	4.059	0.34	26.82
Developed	33	3.939		
DIST 2				
Developing	14	3.857	1.06	27.52
Developed	29	3.379		
DIST 3				
Developing	13	3.615	2.63*	20.46
Developed	30	2.500		
DIST 4				
Developing	16	4.437	0.76	31.29
Developed	31	4.226		
DIST 5				
Developing	15	2.733	0.61	26.96
Developed	30	2.500		
DIST 6				
Developing	16	4.188	0.00	26.97
Developed	32	4.188		
DIST 7				
Developing	13	3.077	1.57**	20.34
Developed	28	2.623		
FORMAL				
Developing	17	3.294	1.36**	27.42
Developed	36	2.917		
OVRCLOS				
Developing	17	3.235	0.98	
Developed	36	3.000		

Developing = Developing country based importer
Developed = Developed country based importer

* = significant at .01 level or better
** = significant at .05 level
$ = Distance scale of 9 items (DIST1 to DIST+formal+ovrclos)
$$ = Distance scale of 7 items (DIST1,2,3,5,7,+formal+ovrclos)

NOTE: All tables in this chapter were compiled by the author using data collected during the study.

Only in one instance was the result in the hypothesized direction. When the degree of formality between buyers and sellers was examined, those exporting to developing nations were found to have less formal relationships with their buyers than those exporting to developed countries. In all other instances, the results were either not statistically significant or were in the opposite direction to what had been hypothesized.

Thus, it appears that in this study, the relationship between social/cultural distance between the parties and the level of economic development of the importing country was not in the hypothesized direction. The Indian exporters studied seemed to feel a slightly greater distance between themselves and buyers from other developing countries rather than those from the developed world.

VII.2: ADAPTATIONS AND COUNTRY OF IMPORT (H5)

In the relationships between developing country based exporters and their buyers, the number and level of adaptations required of the seller (as perceived by the seller) are likely to be greater when the buyer is

from a developed country rather than a developing country.

Are sellers from LDCs more likely to make adaptations to their product, production processes or other aspects of their relationship with their buyers when the buyer is from a developed as opposed to a developing nation? Earlier on, it had been hypothesized that this would be the case due to the differences in the economic and technical development between LDCs and their trading partners from developed nations.

Following previous researchers, adaptations was operationalized in this study as the presence/absence of changes to product, production processes, carrying of special stock, delivery, credit terms and/or office routines made by the seller. Another operationalization of adaptation used in the present study was the seller's perception of having done something unique for the buyer.

This hypothesis was tested using the Chi-square test of significance. As table 7.2 shows, exporters to developed and developing nations did not differ significantly in the level of adaptations they had made to sustain their relationships with their buyers. The only exception was in their perception of having

Table 7.2

Destination of Exports and Adaptations- Results of Chi-square Analysis

Destination of Exports BY	# of	Chi-square	D.F	Cells with E.F. 5
CHANPR-Changes in Product	51	1.41268	2	33.3%
CHNGPRD-Changes in Production	53	0.42250	2	33.3%
CHNGDELI-Changes in Delivery	54	1.18113	1	25%
CHNGCRD-Changes in Credit Terms	54	0.64962	1	50%
CHNGROU-Changes in Office Routines	55	0.17383	1	50%
SPLCON-Special Concessions Made	54	4.82143**	1	25%

** = significant at .05 level

Table 7.3

Destination of Exports and Adaptations - Results of Mann-Whitney U Tests

Variable	# of	Mean Rank Devg	Mean Rank Devd	U	W	Z
CHANPR-Changes to Product	51	23.55	27.45	257.5	447.5	-0.9925
CHNGPRF-Changes to Production	53	28.50	26.16	294.5	541.5	-0.5829

done something unique for their buyers. As seen in table 7.2, exporters to developing nations were more likely to feel that they had done something unique for their buyers than those exporting to developed nations.

The level of changes to product and production processes that had been made by the sellers was tested using the nonparametric Mann-Whitney U test. As table 7.3 indicates, once again, the differences between exporters to developed and developing nations were not significant.

Thus the buyer's stage of economic/technical development does not seem to affect the number and/or level of adaptations made by Indian exporters. If anything, Indian exporters were more likely to make special concessions for their trading partners from other developing nations. Hence this hypothesis could not be validated in the present study.

VII.3: DISTANCE AND INFORMATION/SOCIAL EXCHANGES (H6)

Many past researchers had hypothesized that as information and social exchanges between the parties increases, the distance between them would decrease. The sixth hypothesis was designed to test this relationship between information and social exchanges

between the parties and the distance they felt from each other. Specifically, hypothesis 6 stated that:

> *In the relationship between developing country based exporters and their buyers, the distance between the parties (as perceived by the sellers) will be lower in instances with high levels of information and social exchanges than in those with low levels of information and social exchanges between the parties.*

If the above hypothesis were true, we could expect to find negative correlations between information and social exchanges between the parties and the level of perceived distance. Information exchange was operationalized in the present study as the perceived degree of contacts between the parties through letters, telephone conversations, telex messages and the mailing of special information/reports. Social exchange was operationalized as direct face-to-face personal contacts between the parties. Both the seller's perception of the degree of such contacts (i.e., very often to rarely) and the number of personal visits (by the seller) were used to measure social exchange. Results of the testing of this hypothesis are presented in table 7.4.

Table 7.4

Correlation Between Information and Social Exchange and Distance

Exchange Var / Distance Var	Letter	Phone	Telex	Visit	Mailing	Report	Other	Yrtrip
DIST SCALE 1§	.1085 (36)*	-.0357 (38)	.0944 (38)	-.3741[3] (34)	.1321 (34)	-.0036 (29)	.0314 (24)	.0622 (29)
DIST SCALE2§§.	.0642 (37)	-.1339 (39)	.1287 (39)	-.3567[3] (34)	.2129[1] (34)	.0595 (29)	.0573 (24)	-.1995[1] (32)
DIST 1	-.0063 (45)*	-.0653 (47)	-.1013 (48)	-.3746[3] (45)	-.0421 (43)	-.0891 (37)	.1391 (31)	-.1891[1] (37)
DIST 2	-.0159 (41)	.1721 (42)	-.0312 (42)	-.3706[3] (38)	.0630 (38)	.0891 (32)	-.1301 (25)	-.3222[2] (33)
DIST 3	-.0483 (41)	-.2878[2] (42)	.1744 (43)	-.0541 (38)	.1701 (38)	.0092 (32)	.2076 (26)	.0516 (32)
DIST 4	.0185 (42)	.0895 (44)	.0673 (45)	-.0602 (43)	-.0693 (41)	-.1282 (35)	-.2083 (30)	-.0153 (35)
DIST 5	-.1429 (42)	-.1533 (43)	-.0883 (44)	.0476 (40)	.4296[3] (39)	.4383[3] (32)	.2624[1] (26)	-.1951[1] (45)
DIST 6	-.0292 (43)	.1640 (45)	-.0784 (46)	-.0666 (43)	-.2338[.1] (41)	-.0114 (35)	-.1301 (30)	.0461 (36)
DIST 7	.1929 (38)	-.0134 (40)	.1135 (40)	.0627 (36)	.3016[2] (35)	.3050[2] (29)	.1370 (24)	-.1995 (32)
FORMAL	.0160 (48)	-.1269 (49)	-.1876 (51)	.0951 (48)	.0148 (46)	-.2321[1] (38)	-.2854[1] (32)	
OVRCLO	-.0742 (48)	-.0022 (49)	-.1634 (51)	.2050[1] (48)	-.1279 (46)	.0371 (38)	-.2854[1] (32)	

1 = Significant at .10 level
2 = Significant at .05 level
3 = Significant at .01 level
4 = Significant at .001 level

* = N of cases

Information exchange in the form of letters and telex messages did not show any correlation with the level of distance that Indian exporters felt from their buyers. The other forms of information exchange - i.e., mailing of market information, special reports, etc was found to be negatively correlated to some distance items. As the sellers perceived a higher frequency of these exchanges, they seem to feel that dealing with their buyers is not very different from dealing with Indians. Similarly, the sellers seem to feel that one need not take special care while dealing with their buyers as their contacts with their buyers through reports and special information mailings increased. Thus, overall it appears that while routine information exchanges through letters, telephone calls or telex messages do not seem to reduce the felt distance between buyers and sellers, exchanges of special information, reports, etc., do play a role in reducing the distance between them.

When the relationship between social exchanges and felt distance was examined an interesting finding emerged. Earlier research in the field had indicated social exchanges would aid in decreasing the distance between parties. As the parties met on a personal basis and had direct social exchanges, they would get to know each other more. This, theoretically, would

aid in reducing the distance between the parties. However, the results of this study seem to contradict the above hypothesis.

It can be seen from table 7.4 that as the sellers' perception of the frequency of personal contacts (i.e., visits by either party) does not seem to reduce the distance between the parties. On the contrary, the sellers perceived a higher level of distance as the frequency of visits increased! There was a positive correlation between the frequency of visits and the sellers' perception that it was not easy to form friendships with the buyers. Similarly, the sellers were also more likely to state that they would not like to call the buyers home as the frequency of personal contacts between them increased.

The second measure of social exchange - the actual number of visits by the seller to the buyer's country - also yielded the same results. As the number of trips by the sellers increased, their degree of felt distance also seemed to increase. Sellers who travelled more often to see their buyers were more likely to state that it was not easy to form friendships with them and less likely to call the buyers home for dinner. Further more, these sellers also felt that dealing with their buyers was different from dealing with Indians.

To cross check these findings, the exporters were divided into two groups based on the distance they felt from their buyers. Using the median as the cut off point, they were divided into those with low perceived distance and those with high perceived distance. Then t-tests were conducted to examine the differences between these groups in the level of information and social exchanges between them. Table 7.4 shows the results of the t-tests. As can be seen from this table, the lower distance group had a higher frequency of nonroutine information exchanges such as reports, special mailings, etc. At the same time, the exporters who felt a higher distance (i.e., those who were less likely to call their buyers home and more likely to state that it was difficult to form friendships with their buyers) were the ones with a higher frequency of personal visits.

Thus, it appears that in this study, there is a positive correlation between social exchange and distance. Sellers who had greater social exchange with their buyers were also found to be less comfortable with them. These sellers also seemed to feel a great distance from their buyers (using certain measures of distance).

Figure 7.4A*

Information/Social Exchange And Distance - Results of T-tests

DIST 3: (Buyer is very different from Indians) WITH

		Mean	n	t-value	Sig.
TELEX	Gp 1+	1.1429	21	-1.91	.034
	Gp 2	1.7273	22		
MAILINGS	Gp 1	3.7222	18	-1.75	.045
	Gp 2	4.2500			

DIST 5: (Dealing with Buyer is different from dealing with Indians) WITH

TELEX	Gp 1	1.2222	27	-1.47	.076
	Gp 2	1.7647	17		
MAILINGS	Gp 1	3.5417	24	-3.93	.000
	Gp 2	4.6000	15		
REPORTS	Gp 1	4.4211	19	-2.80	.006
	Gp 2	5.0000	13		
OTHER	Gp 1	4.3571	14	-2.22	.023
	Gp 2	5.0000	12		

DIST 6: (Existence of Difficulties due to Religious differences) WITH

VISIT	Gp 1	3.5000	22	1.91	.032
	Gp 2	2.9254	21		

* Only significant results are reported.
\+ Gp 1=above median (or greater) frequency of exchange
Gp 2=below median (or lesser) frequency of Exchange

VII.4: CONFLICT AND SUCCESS (H7)

Previous research in the field of export marketing has indicated that the success of a relationship is inversely related to the level of conflict in the relationship (e.g., Ford & Djeflat, 1982). Researchers in the channels of distribution area have also found a similar relationship between channel conflict and success. A few researchers have indicated that a certain amount of channels conflict may also be beneficial to the channel. Given these previous findings, the final hypothesis in the study aimed to investigate the relationship between conflict and success in the context of exporters from developing countries. Specifically, it was stated that:

> *In the relationship between developing country based exporters and their buyers, as the level of conflict between the parties decreases, the level of success of that relationship will increase, as this is perceived by the seller.*

As discussed in chapter V conflict had been operationalized in the present study as the seller perceptions of: (1) overall frequency of conflict (2) Comparative level of conflict - i.e., conflict relative

to other buyers (3) Level of conflict - i.e., major Vs minor and (4) areas of conflict - i.e., over delivery, quality of product, credit terms, promotional assistance, service and/or other matters. Success was operationalized in this study as using both objective and subjective measures. The objective measures of success used in the present study were: (1) number of repeat purchases by the buyer (2) meeting of sales objectives set by the buyer and (3) trend in sales to the buyer. Three subjective measures of success were also used in this study: (1) the seller's perceived satisfaction with sales to the buyer (2) the seller's perceived satisfaction with the cooperation shown by the buyer and (3) the seller's future plans as far as the relationship with the buyer is concerned. These were all measured using interval scales.

Of the conflict measures, the level of conflict (i.e., major vs minor) and the relative level of conflict compared to other buyers, were both measured using ordinal scales. Hence the appropriate nonparametric measure of correlation between the variables- the Spearman's Rank Order Correlation - was used to test the relationship between these measures of conflict and success. The other operationalizations of conflict were measured using interval scales and hence the Pearson's Correlation Coefficient was used

Table 7.5

Correlations Between Measures of Success and Conflict

Success / Conflict	Objective Measures: Success in achieving sales target	Objective Measures: # of repeat Orders	Objective Measures: Sales trend	Subjective Measures: Satisfaction with Sales	Subjective Measures: Satisfaction with Cooperation	Subjective Measures: Future Plans
FRQCONF Overall freq. of Conflict	.0491 (37)*	.2826[2] (42)	-.1838[1] (50)	-.1313 (50)	-.2098[1] (49)	-.0989 (47)
CNCONTR Con. over Contract	.0546 (30)	.1494 (35)	-.1701 (40)	.0607 (40)	-.2156[1] (39)	-.1137 (38)
CNQUALI Con. over Quality	-.0907 (35)	-.3216[2] (40)	.1013 (48)	-.1507 (48)	-.0484 (47)	.0219 (47)
CNDELIV Con. over Delivery	.1908 (35)	-.3754[3] (39)	.1977[1] (48)	.0144 (47)	-.0391 (46)	.1370 (46)
CNPROM Con. over Promotion	-.2841[1] (25)	.2629[1] (26)	.1076 (29)	-.1737 (29)	-.0548 (28)	-.2705[1] (28)
CNSERV Con. over Service	-.1563 (27)	-.1098 (31)	.0624 (33)	-.0647 (33)	-.2864[1] (32)	.1155 (32)
CNOTHR Con. over Other issues	-.2919[1] (23)	.1774 (28)	-.1514 (31)	-.2997[2] (30)	-.2905[1] (29)	-.0669 (28)

1 = Significant at .10 level
2 = Significant at .05 level
3 = Significant at .01 level
4 = Significant at .001 level

* N of cases

to test these sections of the hypothesis. The results of the tests are provided in tables 7.5A and 7.5B.

As table 7.5A shows, the relationship between conflict and success appears to be somewhat mixed. As the overall frequency of conflict (FREQCON) increased, the number of repeat sales came down, the trend in sales was negative and the satisfaction of the seller with the cooperation shown by the buyer also decreased. In other words, there were significant negative correlations as hypothesized between the frequency of conflict and the above variables. Similarly, repeat sales seem to decrease as conflicts over product quality and delivery increased. The sellers also saw themselves as being successful in achieving their sales objectives (for relationship studied) when conflicts over promotion and other matters were lower.

In two instances alone, the results were in the opposite direction to what had been hypothesized. Repeat sales and the trend in sales to the buyer seem, if any thing, to be positively associated with conflict over promotion and delivery respectively.

Of the subjective measures of success, the one that yielded the most significant and consistent results is the seller's satisfaction with the cooperation shown by the buyer. The exporters in this study were more satisfied with their buyers' cooperativeness

when the overall frequency of conflict and conflicts over promotion, service and other matters were lower. The other subjective measures of conflict did not yield significant results except in one instance- conflict over promotion was found to be positively correlated with the future plans that the seller had (regarding the relationship). This, again, is counter to what had been hypothesized.

Overall, the seventh hypothesis is partly validated as several significant correlations were found between the various measures of conflict and success and most of these were in the hypothesized direction.

VII.5: CONTROLLING FOR THE EFFECTS OF THE MODERATOR VARIABLES

As in the case of the first three hypotheses, after the initial testing of the hypotheses they were reexamined to evaluate the effects of the moderator variables. The Chi-square test was used for this purpose. Once again, the respondents were divided into two groups using the median as the cut off point and chi-square tests were conducted. The results are provided in tables 7.6 to 7.15.

VII.5.1: Retesting of Hypothesis 4 with Moderator Variables:

As mentioned in section VII.2, when the distance between exporters to developed and developed countries were examined, it was found that only on two of the nine individual distance items were the two groups significantly different. Exporters to developing countries were less inclined to invite their buyers home for dinner and felt more strongly that they should take special care in dealing with their buyers (items DISTANC2 and DISTANC7 respectively). Thus, on these variables, contrary to what had been hypothesized, exporters to developing countries felt a greater distance from their buyers than exporters to developed nations. The only variable which yielded results in the hypothesized direction was the extent of perceived formality in the relationship. Exporters to developing countries felt to a greater extent that their relationships with their buyers were less formal than did exporters to developed countries (Table 7.1). The combined distance scores for the two groups of exporters did not yield any significant results.

When these variables were reexamined with the moderator variables, it was found that the results were very similar. Even after the effects of profit expectations and industry characteristics were con-

trolled for, exporters to developing countries felt more strongly (than the others) that it was difficult to form friendships with their buyers. Similarly, sellers to developing countries felt more strongly than those selling to developed nations that special care should be taken while dealing with their buyers- even after controlling for the effects of managerial profit expectations, industry characteristics and total business experience. The other distance item that yielded significant results after controlling for the effects of the moderator variables was DISTANC3 ("dealing with this buyer is very different from dealing with Indians"). Exporters to developing nations were more likely to feel this way than the others when the effects of industry characteristics was controlled for. All the above results were in the opposite direction to what had been hypothesized in this study (tables 7.6 to 7.8).

When the extent of formality in the relationship was examined, it was found that those selling to developing countries had less formal relationships with their buyers than exporters to developed nations- even when the effects of managerial profit expectations, industry characteristics and total business experience were taken into account.

Table 7.5B

Correlations Between Comparative Level of Conflict and Success Results of Nonparametric Tests

Success Measure	Correlation with COMPFRQ	Correlation with CONFLICT
SUCCESS	-.0901	.1752
TRNDSAL	.0910	.0737
REPEAT	-.0006	.0195
SALESST	-.1086	.1312
COOPST	.3147*	.3059**
SATISF	-.0690	-.0049
FUTURE	.3101*	.1110

N = 58

* significance = .008

**significance = .01

Table 7.6

Destination of Exports and Distance - Controlling for Managerial Expectations*

Distance Measure (Dependent Var)	Value of Moderator**	# of cases	Chi-sqr	D.F.	Cells E.F. < 5	p
Distance Scale 1+	1	28	3.0702	1	25%	.08
DIST 1: Not easy to form friendships	1	35	3.1329	1	25%	.08
DIST 7: Should take special care in dealings	1	29	5.5405	1	50%	.02
FORMAL: Degree of formality	1	37	4.7863	1	25%	.03

* Due to space constraints and for ease of reading, only significant chi-square values are reported.

** 1 = Below Median (i.e., Exports will lead to lower profits)
2 = Above Median (i.e., Exports will lead to higher profits)

\+ Distance items 1,2,3,5,7 and Formality and Overall Closeness.

Table 7.7

Distance and Destination of Exports - Controlling for Industry Characteristics*

Distance Measure (Dependent Var)	Value of Mod. Var **	# of Cases	Chi-sqr	D.F.	Cells E.F. 5	p
DISTANCE SCALE 1 +	2	17				.02 ++
DISTANCE SCALE 2 +++	2	16				.02 ++
FORMAL	2	25	6.5115	1	25%	.01
DIST 1: Not easy to form friend-ships	2	23	4.9597	1	50%	.03
DIST 3: Very dif-ferent from Indians	2	19				.04 ++
DIST 7: Should take special care while dealing	2	19				.06 ++

* = Only significant results are reported.

** = 1 = Above Median (More stable industry)
2 = Below Median (Less stable industry)

\+ = Distance items 1,2,3,5,7 + Formality + Overall Closeness

++ = Fisher's test results - due to small N

Table 7.8

Destination of Exports and Distance - Controlling for Organizational Characteristics*

Distance Measure (Dependent Var)	Value of Mod. Var**	# of cases	Chi-sqr	D.F.	Cells E.F. 5	p
DISTANCE SCALE 2+	1	21	3.500	1	50%	.06
FORMAL	1	25	3.436	1	50%	.06
DIST 4: Religious differences affected	1	24	4.444	1	50%	.04
DIST 7: Should take special care while dealing	1	21	6.431	1	50%	.01

* = Only significant results are reported.

** = 1 = Below Median (Less than 25 years experience)
2 = Above Median (More than 25 years experience)

\+ = Distance items 1,2,3,5,7 + Formality + Overall Closeness

When the combined distance scores of the two groups were examined, the results were in line with the general findings on the individual distance items. Again, those selling to developing countries were more likely to feel a greater distance from their partners than those selling to developed nations.

It should be noted that in all these cases, the moderator variables seemed to have an impact only in certain instances. For example, the difference between exporters to developed and developing nations was significant only in the case of those with higher managerial profit expectations. Similarly, only in the case of respondents in unstable, turbulent industries (those with above the median scores on IND00), were the total distance scores and individual distance items significant. Thus it appears that the moderator variables have an impact on the results only when their values fall in a certain range.

VII.5.2: Retesting of Hypothesis 5 with the Moderator Variables:

Do the moderator variables affect the number and level of adaptations that Indian firms selling to developed and developing countries have to make to be successful? From table 7.9 it can be seen that the moderator variables had an influence on the relation-

ship between adaptations and buyer's country of origin only in a few select cases.

As discussed under section 7.3, exporters to developed and developing nations did not vary in the level or number of adaptations that they had made to accommodate their buyers' needs. The only exception was the question regarding the special concessions that the sellers had made in their relationships with their buyers. A higher number of sellers to developing countries felt that they had made special concessions to their buyers than did those selling to developed nations. This was contrary to what had been hypothesized in this study.

When the moderator variables were used and this hypothesis was reexamined, it was again found that the two groups of exporters did differ as far as special concessions made to their buyers was concerned. Once again, contrary to what had been hypothesized, a greater number of exporters to developing countries did make special concessions to their buyers even after the effects of managerial profit expectations and industry characteristics were controlled for.

Why do Indian exporters make more concessions to developing country based importers than to importers from developed nations? What type of concessions are they making? As table 7.9 shows, exporters to devel-

oping countries also seem to make changes to credit terms more often that those selling to developed nations. An examination of the qualitative comments provided regarding the type of special concession made, indicated that this was indeed the major change that these exporters had made to accommodate their buyers' needs. Probably, while selling to developing countries, Indian exporters have had to alter their financial dealings with their buyers and offer them better (or more flexible) credit terms than when dealing with importers from developed nations. This is not surprising as most of the importers from the developing world were from nations that were technologically less advanced than India.

Thus, it appears that hypothesis 5 cannot be validated even when the effects of the moderator variables are included in the analysis. Exporters to developed nations do not seem to make a greater number of adaptations to their product, production processes, office routines, delivery patterns or other variables than exporters to developing nations do. Indian exporters selling to developing countries, on the other hand, do seem to need to make changes to their credit terms while dealing with their buyers.

Table 7.9

Destination of Exports and Adaptations by Seller - Controlling for the Effects of Moderator Variables*

Adaptations (Dependent Var)	Mod. Var & Value	# of cases	Chi-sqr	D.F.	Cell E.F. 5	p
CHNGCRD: Changes to credit terms	INDUSTRY=2 +	26	3.9565	1	50%	.047
CHNGCRD: Changes to crdit terms	PROFIT = 1 ++	36	5.1429	1	50%	.023
SPLCON: Special Concessions to buyer	INDUSTRY=1 +	29	4.2433	1	50%	.039
SPLCON: Special concessions to buyer	PROFIT = 1 ++	38	8.5678	1	25%	.003

* = Only significant results are reported.

\+ = Total Industry Score 1 = Below Median (Stable Industry)
2 = Above Median (Less Stable Industry)

++ = Managerial Expections Regarding Effects of Exporting on Profits:
1 = Below Median (Exports will lead to lower profits)
2 = Above Median (Exports will lead to higher profits)

VII.5.3: Retesting of Hypothesis 6 with Moderator Variables:

This hypothesis dealt with the relationship between information and social exchanges between the parties and the sellers' perceptions of the distance between them. Previous research had led to the hypothesis that as information and social exchanges between the parties increased, the sellers would perceive lesser degree of distance between them and their buyers.

Initial testing of the hypothesis had indicated that this was not always the case. Nonroutine information exchanges such as mailing of special reports did aid in reducing the sellers' perceptions of the distance between the parties. But other types of information exchange and both the measures of social exchanges used in the study seemed to have, if anything, the opposite result. For example, as the sellers' perception of the frequency of personal visits (social exchange) increased, a greater number of sellers felt that it was not easy to form friendships with their buyers and were less inclined to call their buyers home for dinner.

The inclusion of the moderator variables in to the analysis did not change these results significantly. Once again, the same relationship between personal

Table 7.10

Information Exchange and Distance - Controlling For the Effects of Moderator Variables§

Indpendent Variable	Dependent Variable	Moderator Var & Value	# of Cases	Chi-sqr	D.f	p
MAILNG:Frequency of special mailings	DISTANCE SCALE 1+	INDUSTRY=1 *	8	4.600	1	.071
TELEX:Frequency of telex exchanges	DISTANCE SCALE 2++	TTLEXP =2 **	16	3.200	1	.10

Table 7.11

Social Exchange and Distance - Controlling for the Effects of Moderator Variables§

Independent Variable	Dependent Variable	Moderator Var & Value	# of cases	Chi-sqr	D.F.	p
YRTRIP: Trips per year	DISTANCE SCALE 1+	PROFIT = 1 ***	21	2.7586	1	.097 ?
VISITS: Frequency of visits	DISTANCE SCALE 2++	INDUSTRY=2	8	4.8000		.071

§ Only significant results are reported.

? Fisher test results - due to small N

\+ Distance items 1,2,3,5,7 + Formality + Overall Closeness

++ Distance items 1 to 7 + Formality + Overall Closenesss

* Industry characteristics 1=Below Median; 2=Above Median
** Total Business Experience 1=Below Median; 2=Above Median
*** Managerial Profit Expectations 1=Below Median 2=Above Median

visits and perceived distance was found - as the perceived frequency and actual number of visits increased, a greater proportion of the sellers seemed to feel a greater distance between them and their buyers (table 7.11). However, contrary to what had been found before, even the nonroutine exchanges such as the mailing of special reports, do not seem to aid in reducing the distance between the parties once the effects of the moderator variables have been controlled. As table 7.10 shows, in most instances, once the moderator variables were included in the analysis, even these nonroutine information exchanges seem - if anything - to increase the distance between the parties. It should, however, be noted that in the case of these forms of information exchanges the numbers in each cell were very low and hence the expected percentage of cells with less than five entries were as high as 75-100%. This reduces the validity of the chi-square test to a great extent.

VII.5.4: Retesting of Hypothesis 7 with Moderator Variables:

Based on past research, it had been hypothesized that as the conflict between the parties increases, the relationship would become less successful. As mentioned in section 7.2, three objective measures of

success (trend in sales to buyer, success in achieving sales targets that had been set and number of repeat orders from the buyer) and four subjective measures of success (perceived satisfaction with (a) the buyer (b) sales to the buyer, (c) cooperation shown by the buyer, and (d) future plans for the relationship) were used in this study. The sellers' perceived absolute and comparative degree of conflict with the buyer, the level of conflict, and the areas of conflict were all used as measures of conflict.

The initial testing of this hypothesis led to a partial validation of the hypothesized relationship between conflict and success. Three measures of success - i.e., the number of repeat sales to the buyer, satisfaction with the cooperation shown by the buyer and satisfaction with the overall sales to the buyer -yielded significant results in the hypothesized direction. Tables 7.12 to 7.15 provide the results of the retesting of the hypotheses with the moderator variables. Once the moderator variables were included in the analysis, conflict over delivery and product quality still seem to be related negatively to success but not as strongly. (Table 7.14)

To recheck the effects of the moderator variables an Analysis of Variance with the moderator variables as covariates and the independent variables (i.e.,

Table 7.12

Success and Comparative Level of Conflict - With Moderator Variables*

Independent Variable	Dependent variable	Mod. Var & Value	# of cases	Chi-sqr	D.F.	p
COMPFRQ:Comparative level of conflit	SATISCOP:Satisfaction with Buyer's Coop	PROFIT+ =1	44	14.6424	3	.005
COMPFRQ	FUTURE:Future plans re. sales to buyer	PROFIT =1	42	8.1939	3	.085
COMPFRQ	SUCCESS:In achieving sales target re. B	PROFIT =1	31	15.4666 ?	3	.001
COMPFRQ	SALETRND:Trend in sales to buyer	TTLEXP =2	27	7.1031 ?	3	.069
COMPFRQ	SATISCOP	TTLEXP++ =1	28	10.4416 ?	3	.033
COMPFRQ	SATISCOP	TTLEXP =2	25	6.9625 ?	3	.070
COMPFRQ	FUTURE	TTLEXP =2	26	8.5025 ?	3	.037
COMPFRQ	SUCCESS	TTLEXP =1	19	8.6379 ?	3	.071

* Only significant results are reported.

\+ Managerial Expectations Regarding Effects of Exporting on the Firm's Profit: (Managerial Characteristics)
1 = Below Median (Exporting will lead to lower profits)
2 = Above Median (Exporting will lead to higher profits)

++ Total Business Experience of the Firm (Organizational Characteristics):
1 = Below Median (Below 25 years of Business Experience)
2 = Above Median (25 years or more of Business Experience)

? Cells with expected frequency 5 exceeds 25%

Table 7.13

Success and Degree (Level) of Conflict - With Moderator Variables§

Independent Variable	Dependent Variable	Mod. Var & Value	# of Cases	Chi-sq	D.F.	p
CONFLICT:Level of conflict (major/ Minor/none)	SATISCOP:Satisfaction with buyer's cooperation	TTLEXP ++ =2	25	7.4930	2	.024
CONFLICT	SATISCOP	INDUSTRY +++ =1	13	5.9583	2	.051 ?
CONFLICT	SUCCESS:Success in achieving sales target re. B	TTLEXP =1	19	4.6746	2	.096 ?
CONFLICT	SUCCESS	INDUSTRY=2	15	6.4772	2	.039 ?

§ Only significant results are reported

? Fisher's test results - due to small N

++ Total Business Experience of Firm (Organizational characteristics): 1=Below Median; 2=Above Median.

+++ Industry characteristics; 1=Below Median (Stable)
2=Above Median (Less Stable)

Table 7.14

Success and Conflict Over Delivery - With Moderator Variables§

Independent Variable	Dependent Variable	Mod. Var & Value	# of cases	Chi-sqr	D.F.	p
CNDELIV: Conflict over delivery	REPEAT: # of repeat orders	PROFIT+ =1	30	3.2812	1	.07
CNDELIV	REPEAT	TTLEXP++ =2	21	8.5050	1	.003
CNDELIV	SALETRND:Trend in sales to B	TTLEXP =1	22	5.3921	1	.02
CNDELIV	SALETRND	TTLEXP =2	25	5.2965	1	.021
CNDELIV	FUTURE:Future plans regarding sales to B	TTLEXP =1	21	3.1762	1	.075

§ Only significant results are reported.

\+ Managerial Expectations Re. Profit From Exporting;
1=Below Median (Lower profits)
2=Above Median (Higher profits)

++ Total Business Experience;
1=Below Median (less than 25 years)
2=Above Median (25 years +)

measures of conflict) as main factors was conducted. Each measure of success was treated as a separate dependent variable. The measures of conflict were again converted to categorical measures by dividing the respondents into two groups based on the median as the cutoff point. A summary of the results is provided in table 7.15. As can be seen from table 7.15, the covariates together yielded significant results in the case of some of the measures of success. When the respondents were categorized as successful or unsuccessful using the median, the covariates were found to be significant in the case of the subjective measure, future plans regarding sales to the buyer. Both industry characteristics and managerial expectations regarding the effects of exports on the firm's profits were significant in this instance at .10 level or better. The independent variables were also found to be significant as a group. But a closer look indicates that only one independent variable - i.e., comparative level of conflict - really stood out as significant.

Industry characteristics also came out as significant when the objective measure of success - number of repeat orders - was analyzed ($p=.02$). Similarly, the managerial expectations regarding the effects of exporting on the firm's profits also was found to have

a significant effect in the case of one measure of success - the seller's perceived satisfaction with sales to the buyer (p=.04).

Thus, overall, the inclusion of the moderator variables again does not seem to alter the results to any great extent. The same conflict variables yielded significant results even after the effects of the seven moderator variables were taken into account- perhaps to a slightly lower degree.

The ANOVAs also reinforce the earlier findings regarding the relationship between conflict and success. As can be seen from table 7.12, the seller's perceived comparative level of conflict with the buyer seems to have a significant impact on past sales trend. Similarly, the frequency of conflicts over delivery and product quality seem to affect the number of repeat sales to the buyer and the seller's perceived satisfaction with sales to the buyer.

VI.6: SUMMARY

This chapter provided details of the tests conducted to examine hypotheses 4 to 7. Initial testing of the hypotheses led to conclusion that hypotheses 6 and 7 were partly validated. Hypotheses four and five were not validated in this study. The results of this study seem to indicate that the country of origin of

Table 7.15

Conflict and Success with Moderator Variables - Results of Analysis of Variance*

Dependent Variable	Significant Effects Found For	p
FUTURE: Future plans re. sales to buyer +	Covariates - in total	.02
FUTURE	INDUSTRY: Industry characteristics	.005
FUTURE	EXPPRF: Mgl. expectations re. effects of exports on profits	.076
FUTURE	Main Effects - in total	.042
FUTURE	COMPFRQ: Comparative level of conflict	.004
TRNDSAL: Past sales	COMPFRQ	.08
REPEAT: # of repeat orders	INDUSTRY	.02
REPEAT	CNQUALI: Frequency of conflicts over product quality	.09
SALESST: Perceived satisfaction with sales to buyer	EXPPRF	.04
SALESST	CNDELIV: Frequency of conflicts over delivery	.08

trend to buyer

* Only significant results are provided here; details are provided in Appendix E.

\+ The analysis of variance explained a significant proportion of the total variance (p=.019).

the buyer does not play a major role in determining the distance between the parties. Similarly, it was found that sellers to developed nations are not any more likely to make adaptations to their product, production processes and/or other variables than sellers to developing nations. Selling to developing nations does seem to require special concessions in the form of changes to the credit practices of Indian exporters.

While greater exchange of nonroutine information (e.g., mailing of special reports) was associated with perceptions of lesser distance between the parties, the relationship between social exchange and distance seems to be in the opposite direction. Social exchanges were associated with greater awareness of the differences between them and their buyers. Sellers who met more often with their buyers also stated that it was difficult to form friendships with their buyers, that dealing with their buyers was different from dealing with Indians and that they would not want to call their buyers home for dinner. Thus hypothesis six could not be validated in this study.

However, the relationship between conflict and success (H7) was found to be more or less similar to that in previous studies. As the seller's perception of the conflict between the parties increased, in

general, the relationship appears to become less successful. This seems to be the case using both certain (not all) subjective and objective measures of success.

The inclusion of the moderator variables does not seem to change the results to any great extent. Very rarely did the moderator variables affect the relationship between the variables. In most of these instances, the inclusion of the moderator variables reconfirms the earlier findings. In a few cases, the relationship between the variables (e.g., between conflict and success) appears to be less strong when the moderator variables were introduced. While conflicts over delivery and product quality were found to be related to lower levels of success, other measures of conflict (e.g., perceived frequency of conflict) did not yield significant results when the moderator variables were taken into account.

This chapter provided the results of the tests conducted on the hypotheses in the study. The next chapter will discuss the results and their implications to both other researchers and practitioners in the field of export marketing.

CHAPTER VIII

DISCUSSION OF RESULTS AND CONCLUSIONS

VIII.0: INTRODUCTION

The last two chapters dealt with the results of the tests conducted to examine the hypotheses set forth in this study. These results were not discussed in the previous chapter. This chapter provides a detailed discussion of these results. Possible reasons for the lack of support found for some of the hypotheses are also presented in this chapter.

This is followed by a presentation of profiles of the various groups of exporters. These profiles were developed using discriminant analyses and other statistical techniques. In the next chapter, the general conclusions from the study and the implications of the results for practioners and theorists will be provided.

VIII.1. RESULTS OF HYPOTHESES TESTING

This section is divided into two parts. The first part discusses the results of the testing of the first three hypotheses - i.e., the product related hypotheses. This will be followed by a discussion of the last four hypotheses.

VIII.1.1: Product Related Hypotheses - A Discussion

As can be seen from tables 8.1 to 8.3, of the three product related hypotheses, two were partly validated while the first one was not supported by the data. We will now look at each hypothesis in turn.

The first hypothesis examined the differences in conflict between industrial and consumer goods exporters - it was not supported by the data. Specifically, the data indicates that there are no significant differences in the frequency, level and comparative level of conflict between industrial and consumer goods exporters. The only conflict variable that the two groups differed significantly on was the frequency of conflict over delivery - industrial product exporters were more likely to have experienced higher levels of conflict over delivery than consumer product exporters.

Are there any reasons why this hypothesis was not supported? As stated in chapter 4, it had been hypothesized that industrial product exporters would experience higher conflict levels as issues like delivery, adherence to product specifications and after-sale service would be of greater importance in the case of industrial products than consumer products. Quality control and dependable delivery were expected to be major problems for industrial exporters from

Table 8.1¶

Product Type and Conflict (H1) - Summary of Results

Conflict Measure	Description	Scale	Test Used	Results
FRQCONF	Overall frequency of disagreements with buyer	Interval	t-test	Not sig.*
CONFLICT	Seller's perceived level of disagreements with buyer	Ordinal	M-W U	Not sig.
COMPFRQ	Relative/comparative degree of disagreements with buyer	Ordinal	M-W U	Not sig.
CNCONTR	Frequency of disagreements over contract	Interval	t-test	Not sig.
CNQUALI	Frequency of disagreements over product quality	Interval	t-test	Not Sig
CNDELIV	Frequency of disagreements over delivery	Interval	t-test	Sig. at .05 level
CNPROM	Frequency of disagreements over promotion	Interval	t-test	Not sig.
CNSERV	Frequency of disagreements over service	Interval	t-test	Not sig.
CNOTHR	Frequency of disagreements over other matters.	Interval	t-test	Not sig.

¶ NOTE: All tables in this chapter were compiled by the author using data collected during the study.

Table 8.2

Product Type and Adaptations (H2) - Summary of Results

Adaptation Measure	Description	Scale	Test used	Results
CHANPR	Degree of changes to product	Ordinal	M-W U	Sig at .06 level
CHNGPRD	Degree of changes to Production process by Seller	Ordinal	M-W U	Not sig.
CHNGDEL	Presence/absence of changes to delivery by seller	Nominal	Chi-sq	Sig at .08 level
CHNGCRD	Presence/absence of changes to credit terms by seller	Nominal	Chi-sq	Not sig.
CHNGROU	Presence/absence of	Nominal	Chi-sq	Not sig.

Table 8.3

Product Type and Dependence (H3) - Summary of Results

Power-Dependence Measure	Description	Scale	Test Used	Results
BYRSALE	% of sales accounted for by the buyer	Ordinal	M-W U	Sig at .01 level
BUYRSZ	% of exports accounted for by the buyer	Ordinal	M-W U	Sig at .01 level
BYNEED	% of buyer's needs supplied by seller	Ordinal	M-W U	Not sig
ALTBYR	# of alternate buyers that seller has	Ordinal	M-W U	Sig at .10 level
FINDBYR	Seller's ease in finding alterrnate	Ordinal	M-W U	
OTHRSUP	# of other suppliers that buyer has in India	Ordinal	M-W U	Not sig
OUTSUP	# of other suppliers that buyer has	Ordinal	M-W U	Sig at .05 level
INFLUEN	Buyer's ability to	Ordinal	M-W U	Not Used

developing countries. After sales service of machinery and equipment would also be difficult for LDC based industrial exporters. These were the underlying reasons for this hypothesis.

As hypothesized, the frequency conflict over delivery was greater among industrial product exporters than among those selling consumer goods. However, this does not seem to have carried over into other areas (e.g., contract terms, product quality) or even lead to an overall higher frequency/level of conflict. This might be partly explained by the fact that, on average, the industrial product exporters had longer pre-contract contacts with their buyers. For example, one respondent -the export manager of a company selling automobile engine parts to Italian car makers- had stated that it had taken his company over two years of negotiations and the development of several prototypes to secure the first contract. The buyer had worked with the seller in the refinement of the production process and quality control procedures. Similar statements had been made by other respondents. Perhaps this long pre-contract interaction had led to fewer conflicts over product quality and other issues in the case of some of the industrial product exporters.

The other reason could be the nature of the industrial products included in the study. For the most part, these were not highly sophisticated machinery or components. The typical industrial product exported by Indian firms seems to be small automotive parts, diesel engines, cutting tools, etc - in other words, products that do not need as much after sales service and/or are not extremely sophisticated in terms of standards that have to be met. This may have also led to the results found in the study.

Could the level and frequency of conflict be a function of the duration of the relationship? In other words, if the experience level of the exporters was controlled for, would the results have been different? To test the impact of experience (with the buyer) on conflict, industrial and consumer goods exporters were divided into two groups based on experience - those with under 10 years of experience and those with over 10 years of experience. Once experience was controlled for, industrial exporters were seen to have a higher degree of comparative conflict (i.e., conflict with the buyer studied compared to other buyers) than those selling consumer goods. Similarly, industrial exporters did experience a significantly higher frequency of conflict over delivery during the first nine years of the relationship than

consumer product exporters. There were no significant differences between exporters with 10 years of experience (or over) in the frequency of conflict over delivery, the other areas of conflict, the overall frequency of conflict or the level of conflict (i.e., major vs minor). (See Table 8.4).

Thus it appears that industrial product exporters do experience higher levels of conflict over delivery and perceive a higher comparative level of conflict with their buyers than consumer goods exporters. Probably, over the years, this difference becomes negligible as the parties get to know each other better. Another explanation could be that firms that experience a high level of conflict would not continue the relationship with that particular buyer. Relationships that survived for many years may be the ones with lower levels of conflict.

Besides the above explanations, another reason for the low support found for the first hypothesis may be the reluctance of the respondents to admit to any disagreements with their buyers. As stated earlier, the term "conflict" in the questionnaire had to be changed to "disagreements" as the respondents were extremely unwilling to admit to any conflicts. The term "conflict" apparently had a very serious and strongly negative connotation for the respondents. It

is possible that even after the change in terminology, the respondents may not have been entirely forthcoming in their answers to this section of the questionnaire.

The second hypothesis dealt with the level of adaptations that would be required of industrial and consumer goods exporters from India. It had been hypothesized that due to the nature of industrial products, a greater level and number of adaptations would be required of industrial than of consumer goods exporters. Previous research had indicated that industrial products - which often use mass production technology - are more likely to need higher levels of adaptations than the typical consumer good exported from India (see, for example Hallen & Johansson, 1984). Industrial products are also more likely to be custom made (Webster, 1984); as many of them become part of another firm's production processes, they are also more likely to have to meet the buyer's specifications more closely than consumer goods.

The primary operationalizations of adaptation used in the present study were the degree of changes to the product and production processes made by the sellers (in their own eyes, of course). Of these two types of adaptations, one did come out as significant - more number of industrial (compared to consumer)

product exporters stated that they had made adaptations to their products to meet the buyer's requirements. The other, changes to production process - did not yield significant results. To the extent that one of the two major measures of adaptations had yielded significant results, this hypothesis can be said to be partly validated.

As Hallen, Johanson and Mohamed (1987) and Johanson (1989) note, strong causal relationships between the level of product complexity and adaptation by the seller have been found in previous research. Usually, the more complex the product, the greater the level of adaptation required of the seller. The lack of support for the second measure of adaptation - i.e., changes to production process, may be thus be partly due to the less sophisticated nature of the industrial products studied. For example, when selling automobile parts, while changes to the basic product may have to be made to suit the buyer's needs, the entire production process may not have to be altered.

Another possible reason for the lack of a greater degree of adaptation by the industrial product exporters found in the present study may be due to their relative position in the market place. As Johanson and Mattsson (1987, 1988) state, firms that are late entrants to international networks are likely to face

more difficulties in adapting to the needs of their buyers. This, according the above researchers, is even more likely to be true in the case of firms that are large in the home market. As had been mentioned under Chapter VI, many of the firms - especially the industrial product exporters - in the sample are relatively large firms in the Indian market. They are also late entrants to international networks. This might have also reduced their ability to adapt even more to the needs of their buyers.

One interesting finding in this area was that more consumer product exporters had actually made changes to their delivery schedule (to meet the buyer's requirements) than those selling industrial products. These firms are dependent on small, independent craftsmen for finishing their products. In many instances, these craftsman are not very prompt in delivering the products. While this may not cause severe problems in the domestic market, it may have led to frequent changes in delivery patterns when dealing with foreign buyers. It is also possible that since these products are more prone to changes in style and design, changes to the delivery schedules had to be made to meet the fast changing demand patterns.

The final product related hypothesis dealt with the level of dependence between industrial and consumer goods exporters and their buyers. In chapter 4, it had been hypothesized that industrial product exporters from the developing world would find it more difficult to find alternate buyers for their products than those from developed nations. These exporters are new entrants to the field and face competition not only from within their own country but also from other developing and developed nations. Further more, as the developing world is seen primarily as exporters of raw materials and low value consumer goods, these exporters are likely to face greater problems while attempting to sell their products abroad. All these factors had led to the hypothesis that industrial product exporters would be more dependent on their buyers.

Several measures of dependence have been used by past researchers - primarily in studies of developed nation based exporters. These include percentage of sales/exports going to the buyer, ease of finding alternate buyers, and the seller's perception of the number of alternate suppliers that the buyer has. Six such measures had been used in the present study (please refer to table 5.1). Of these, the sales-related measures yielded significant results in the

opposite direction to what had been hypothesized. Two of the others provided significant results that supported the hypothesis. Industrial product exporters were found to have greater difficulty in finding alternate buyers and thought that their buyers had more suppliers (outside India) than the other exporters.

Can the contradictory findings be explained? Perhaps, yes, if one takes into account the special circumstances that Indian exporters find themselves in. A look at the reasons for exporting (table 6.4), indicates that many exporters export for reasons other than those specified. The most common reason stated by these exporters was governmental pressure to export. Indian firms that require imported goods in their manufacturing processes have to get an import licence for this purpose. Import licenses are given only if the firm agrees to export a certain percentage of its total output (usually 5% of sales). Industrial product manufacturers are more likely to need imported parts than the typical Indian consumer goods exporter. In certain industries, provision of licenses for setting up new manufacturing plants are also contingent on meeting minimum export quotas. Thus, the pressure to export on firms producing industrial products is very high.

In addition, exporters of industrial goods (compared to consumer goods exporters) from India do not get a good price for their products abroad and are thus not exporting for economic reasons (Table 8.5). Thus, their main incentive to export is not an economic one. In many cases, these firms are not interested in increasing their exports - most export managers in these firms stated that they would be happy if they can maintain their current export level (i.e., less than 5% of sales) and did not want to expand their export activities.

These findings (i.e., existence of noneconomic reasons for exporting and lack of interest in increasing exports) are interesting in themselves for they contradict the implicit assumptions that researchers in the field seem to make while examining the export activities of firms. Most researchers seem to assume that increased profitability or stability of sales is one of the major reasons that leads firms to export their products. Other reasons such as increased prestige in the local market or governmental pressure to export are often never included in studies on exporting from developed nations. Perhaps a new look at reasons for exporting - at least in the context of developing country-based exporters - is called for. Similarly, researchers seem to assume that increases

in exports are desirable and that firms strive for this goal. The present study indicates that this may not be the case in all instances. Growth in exports may not be a desirable goal for at least some developing country-based exporters.

In spite of the poor price received for their exports and the low level of export activity, it is obvious that these firms take the export side of their business very seriously. To many of them it seems to be more than a question of meeting export requirements set by the government. Exporting gives them prestige within the country - especially if the buyer is from a developed nation. The fact that more industrial product exporters had a separate department to handle their export activities is indicative of their commitment to exporting (Table 8.6).

Thus it is felt that the common operationalizations of dependence used in the field - i.e., percentage of sales and/or exports accounted for by the buyer - may not be applicable to Indian exporters and, perhaps, those from other LDCs. The level of dependence of industrial exporters from India on their buyers is not fully reflected in direct sales-related measures. Even in firms with very low levels of export activity (as a percentage of sales), the importance given to exporting appears to be fairly high due to the govern-

mental pressure to export. Hence, a better measure of dependence in such circumstances would be the ease with which the firm can find alternate buyers, the number of such alternate buyers, and/or measures that reflect the firm's knowledge of the alternatives available to the buyer. This is also reflected in some recent works in the field (e.g., Ghauri, 1988). Using these measures, Indian exporters of industrial products were seen to be more dependent on their buyers than those exporting consumer goods.

To summarize, the testing of the product-related hypotheses yielded mixed results. The first hypothesis - regarding product exported and conflict - could not be substantiated for only one variable (i.e., frequency of conflict over delivery) yielded significant results. Industrial product exporters were found to have a higher frequency of conflict than those selling consumer goods. The second hypotheses - regarding product exported and adaptations - was partly supported by the data. Industrial exporters did make more changes to their product but not to their production processes. The other measures of adaptations, which were considered minor areas of adaptations, did not yield significant results.

The third hypothesis is supported if one uses the measures that are more relevant and suitable to the

Table 8.4

Product Type and Conflict - Controlling for Length of Relationship with Buyer

Conflict Var.,	Product Type Industrial	Consumer
CONFLICT (Level of Conflict)		
Major	2	0
Minor	3	1
No	0	2
	5	3
COMPFRQ (Comparative Level of Conflict)		
More Disagreements with this buyer	3	0
Equal Disagreements	10	0
Less Disagreements with this buyer	9	5
Total	22	5

Table 8.5

Product Type and Price Received For Exports

Price for Exports	Product Type Industrial	Consumer	Chi-sqr.	Sig	Cells c E.F<5
Higher than in India	7	9	5.672	.017	None
Lower than or same as in India	25	7			
Total N	32	16			

Table 8.6

Product Type and Organizational Structure for Exports

Export Organizational Structure	Product Type Industrial	Consumer	Chi-sqr.	Sig	Cells c E.F<5
Separate Export Dept.	22	3	3.519	.019	25%
No Export Dept.	7	6			
Total N	29	9			

Indian export market. Industrial exporters, as hypothesized, were more dependent on their buyers as they would have more difficulty finding alternate buyers and as they were very aware that their buyers had many alternate sources (outside India).

Some reasons for the lack of support for the first hypothesis can also be identified. Industrial exporters did have greater amount of pre-contract correspondence and interaction with their buyers than the others. This higher initial interaction may have led to a lower amount of conflict in the case of industrial exporters. The high degree of reluctance of firms in the sample to admit to any disagreements with their buyers may have also had an effect on the results. The results were also found to be influenced by the years of experience that the seller had with the buyer. It is perhaps possible that as the number of years of experience between buyers and sellers increases, the nature of the product has less influence on the level of conflict in the relationship.

VIII.1.2: Importing Country Based Hypotheses - a Discussion

The next two hypotheses were related to the destination of the exports. Specifically, it was hypothesized that exporters to developed nations would

perceive a higher degree of distance from their buyers (H4) and would have to make more adaptations to satisfy their buyers' needs (H5). As stated in Chapter 7, the first of these hypotheses was not supported by the data. Of the nine measures of distance used in the present study, two - sellers' feelings that the buyer was very different from Indians and special care has to be taken while dealing with this buyer - yielded significant results but in the opposite direction to what had been hypothesized. Only in one instance were the results in the hypothesized direction- exporters to developed nations did perceive the relationship to be more formal than exporters to the developing world (tables 8.7 & 8.8). Thus the results were in not in the hypothesized direction - Indian exporters seemed to feel a greater distance from their developing country-based buyers than from developed country-based ones.

Distance had been defined in this study as social and cultural distance between the parties. The concept of technological distance is already incorporated into the variable destination of exports. This hypothesis was based on the premise that inter-country distance is primarily a function of the differences in the level of development and education between the countries in question (see, for example, Hallen and

Johansson, 1984; Ford, 1986; Thunman, 1988). Thus, it had been hypothesized that the high technological gap between developing country based exporters and their buyers from the developed world would also be reflected in higher social and cultural distance between them. The lower familiarity of many developed nation based buyers with the problems and conditions in the developing world was also expected to lead to greater distance between the parties.

The results of the study do not seem to support the extension of technological gap between the parties into a social/cultural distance between them. This might be due to a variety of reasons. First, perhaps the operationalizations of distance used in this study are not appropriate measures of social and/or cultural distance. The measures used here were based primarily on Hallen and Wiedersheim-Paul's (1979) and Hallen and Johansson's (1984) studies. Thus a combination of measures such as difficulties in communication due to language differences, difficulties in making friends with the buyer and the degree of formality in the relationship were used. Perhaps these measures did not fully capture the concept of social/cultural distance.

Secondly, most of the measures of distance used in the present study are measures of inter-firm dis

Table 8.7

Destination of Exports and distance (H4) - Summary of Results

Distance Measure	Description	Scale	Test used	Results
DIST 1	Difficulties in forming friendships with buyer	Interval	t-test	Not sig
DIST 2	Willingness to call the buyer home for dinner	Interval	t-test	Not sig
DIST 3	Perception of buyer as being very different Indians	Interval	t-test	Sig at .01 level
DIST 4	Existence of difficulties due to religious differences	Interval	t-test	Not Sig.
DIST 5	Perception that dealing with buyer is different from dealing with Indians	Interval	t-test	Not Sig.
DIST 6	Existence of difficulties due to religious differences	Interval	t-test	Not Sig.
DIST 7	Perception that special care should be taken	Interval	t-test	Sig at .051evel
OVRCLOS	Overall feelings of closeness	Interval	t-test	Not Sig.
FORMAL	Degree of formality in the relationship	Interval	t-test	Not Sig.

Table 8.8

Destination of Exports and Adaptations (H5)
- Summary of Results

Adaptation Measure	Description	Scale	Test used	Results
CHANPR	Degree of changes to the product made by seller	Ordinal	M-W U	Not sig
CHNGPRD	Degree of changes to the production process by seller	Ordinal	M-W U	Not Sig
CHNGDEL	Presence/absence of changes to delivery made by seller	Nominal	Chi-sq	Not sig
CHNGCRD	Presence/absence of changes to credit terms made by the seller	Nominal	Chi-sq	Not sig
CHNGROU	Presence/absence of	Nominal	Chi-sq	Not sig
SPLCONC	Presence/absence of special concessions by seller	Nominal	Chi-sq	Sig at .06 level

tance rather than inter-country distance. (There were measures of inter-country distance - DIST 1, DIST 4 and DIST 7). As Hallen and Weidersheim-Paul (1979) note, inter-firm distance may be quite different from inter-country difference. Since the hypothesis dealt with the more general issue of inter-country distance, the greater emphasis on inter-firm distance may have affected the results. Perhaps, the respondents were unable to distinguish between the two concepts and were more influenced by the inter-firm distance (or lack of it) that they felt existed in the relationship. This might have been complicated by the fact that most of the sellers had been dealing with their buyers for nearly ten years (refer to table 6.6) Thus, the degree of inter-firm distance is likely to have been fairly low.

Thirdly, India's long history of colonialization also perhaps contributes to the contradictory findings found in this study. During this period of colonialization, many Indian firms established close ties with firms in England. Overall, Indians did become familiar with English customs and ways of doing business. Thus, perhaps, there was a greater degree of cultural affinity between Indian organizations/managers and firms in the developed world in general and U.K. in

particular. This might also explain the results found in the study.

Another reason for the findings might lie in the unique nature of India's cultural heritage which precluded its people from having greater closeness with those from other LDCs. Hinduism is not a popular religion in other parts of the developing world. Indian values and traditions may not be any closer to those found in the middle east or Africa from where most of the LDC buyers in the study had originated. For example, using one of Hofstede's dimensions to classify countries, one finds that while India is "distant" from most developed nations on the Individualism-Collectivism dimension, it is also not that much closer to other developing countries. This may also account for this finding.

A feature of the sample may have also led to the current findings. As stated in table 6.3, 58.6% of the sample firms were subsidiaries of other firms-mostly subsidiaries of foreign firms. This feature of the sample may have led to the firms in the present study having closer ties with the developed world than the average firm in India or other LDCs. This, in turn, could have led to their feeling closer too (or less distant from) firms in the developed world than those from developing countries.

The relationships in the present study were long standing ones - over 50% had 15 years or more experience in exporting (table 6.6). In cases with such long standing relationships, inter-firm distance is likely to be very low. This might also affect perceptions of inter-country distance that the sellers may have had. Further more, many of the firms with long standing relationships were those selling to the developed world. For example, there were firms in the sample that had been selling spices or cotton yarn to the developed world for over 50 years. All these factors may have also led to the findings in this study.

Finally, the relationship between social exchange and distance found in the study was not in the hypothesized direction. Increased social contacts in the form of personal visits were correlated with perceptions of greater distance between the parties. While the details of the relationship between these two variables will be discussed later (when H6 is discussed), it is possible that the greater personal contacts that may have existed between Indian exporters and LDC buyers may have contributed to the above findings.

The fifth hypothesis dealt with the destination of the exports and the differences in adaptations by the sellers. It had been hypothesized that a greater and level of number of adaptations by the sellers will be required when the buyer is from a developed (as opposed to a developing) nation. This hypothesis had been based on earlier works by Kacker (1975) and Kuada (1979) which had indicated that when buyers and sellers are from LDCs, the level of adaptations required of the seller would be lower than when the buyer was from a developed nation. Sellers from developing nations have been frequently told that they had to adapt to the special needs of developing country-based buyers (Robinson, 1961, Terpestra and Kacker, 1976); here, the reverse was hypothesized to occur. The results of this study, however, do not support this hypothesis.

Part of the reason may lie in the nature of the products being exported to developed and developing nations by Indian exporters. Most of the exports from India to the developed world are of low value, handcrafted consumer goods or low technology industrial items. This was also the case in the present study though, of course, there were notable exceptions. There was, for instance, an exporter of fairly sophisticated fuel injection parts to Italy and a few auto-

motive parts and cutting tools suppliers to the developed world. But, by and large, the products being sold to the developed world were items like handloom "made-ups" (e.g., table linen), hand crafted products, etc. The level of adaptations required in these instances is likely to be restricted to stylistic changes rather than to basic product or production changes. This is also in line with the findings of Hallen, Johanson and Mohammed (1987) and Johanson (1989) who found that in instances of low product complexity a lesser degree of adaptations by the seller were found to exist.

Another explanation for the findings may lie in the relationship between adaptations and cultural affinity (or distance). Some researchers have hypothesized that the greater the cultural affinity (or the lower the distance) the greater the adaptations in the relationship is likely to be (e.g., Hallen and Johanson, 1985; Turnbull and Valla, 1986). These researchers hypothesize that greater cultural affinity leads to closer ties and greater trust which, in turn, leads to a greater willingness to adapt to the needs of the other party. As mentioned earlier, the findings in the present study regading distance and economic development were not in the hypothesized direction. Significant differences in distance were found

only in the case of three of the nine measures of distance used in the study. Overall, it can hardly be said that great cultural affinity or closeness existed between Indian exporters and their buyers - regardless of their country of origin. This lack of cultural affinity or closeness may have also contributed to the lower degree of adaptations.

Overall, the results of the study seem to indicate that the destination of exports may be of lesser importance (in determining patterns of buyer-seller relationships) than the nature of the product being exported. Both the hypotheses related to the importing country were not supported by the data.

VIII.1.3: Hypotheses 6 and 7 - a Discussion

The last two hypotheses were concerned not with the impact of product type or destination of exports but with general relationships between certain key variables that were found during the literature review. Hypothesis 6 dealt with the relationship between information and social exchange and distance between the parties. The final hypothesis dealt with the relationship between conflict and success. In this section, the results of the tests conducted to examine these hypotheses will be discussed (refer to tables 8.9 and 8.10).

It had been hypothesized that as information and social exchanges between the parties increased, the distance between them will decrease. This was based on previous works by Hakansson, Johansson and Wootz, (1976), Cunningham (1980), Hallen and Johansson (1984) and Valla and Perrin (1984). All of the above researchers had hypothesized that increased information and social exchanges would lead to reduced distance. In the only study to test the relationship between these variables, Hallen and Johansson (1984) found that more intensive interpersonal contacts were found in situations with lower levels of distance. All the firms in the above study were from Europe and distance was primarily operationalized as physical distance.

The results of the present study indicate that information exchange (through letters, telephone, telex messages, special mailings and reports) was greater among firms with lower distance. Nonroutine information exchanges, especially, seem to be correlated with lower levels of distance (table 7.4). Interestingly, high levels social exchange (operationalized as perceived frequency of visits and actual number of trips to meet the buyer) seem to go together with higher levels of distance. This contradicts with Hallen and Johanson's (1984) findings that greater

Table 8.9

Information and Social Exchange and Distance (H6)
- Summary of Results*

Distance Measure	Information/Social Exchange Measure								
	LETTER	TELEX	PHONE	MAILNG	REPORT	OTHER	INFOEX	VISIT	YRTRIP
DIST 1								.001+	
DIST 2								.01+	
DIST 3			.05						
DIST 4									
DIST 5				.001	.10	.10			
DIST 6				.05					
DIST 7				.05	.05				
OVRCLOS						.10		.10	
FORMAL									

\+ results were in the opposite direction to what had been hypothesized

* Results of Pearson Correlation Analysis; only significant results are reported.

Table 8.10

Success and Conflict (H7) - Summary of Results*

	Measures of Success						
	REPEAT	SUCCESS+	TRNDSAL	COOPST	SALESST	FUTURE	SATISF++
Conflict Measure							
FRQCONF	.05		.10	.10			
CONFLICT							
COMPFRQ							
CNCONTR							
CNQUALI	.05						
CNDELIV	.05		.10§				
CNPROM	.05§					.10§	
CNSERV				.10			
CNOTHR				.10	.05		

* Results of Pearson Correlation analysis; only significant results are provided.

§ Results were in the opposite direction to what had been hypothesized.

\+ Overall success in achieving sales targets (as far as sales to this buyer are concerned)

++ Overall satisfaction with buyer.

social exchange existed in instances with lower levels of distance. Also interesting is the finding that the relationship between and the two types of exchanges seem to be moving in opposite directions.

Several explanations for these findings can be put forward. To begin with, perhaps the increased levels of social exchanges were deemed necessary by the parties due to the high level distance between them. In other words, the positive correlation between the variables may be an indication that firms with higher distance were trying to reduce this through increased social contacts. This is in line with suggestions by previous researchers that higher levels of social exchange are required when distance is present (Hakansson, Johansson and Wootz, 1976, Cunningham, 1980, Valla and Perrin, 1984).

Another way to explain the results assumes a reverse causal link -i.e., increases in personal contacts led to the higher distance between the parties. In the short time, increased personal contacts may lead to a greater awareness of the social and cultural differences between the parties. India is a very unique country with a majority religion (Hinduism) that is very different from other religions. The cultural and social norms of the country are also quite different from those of most developed nations and even

of many from the developing world. The developing nations that Indian exporters deal with are primarily African and OPEC nations - which again, have different religious and cultural backgrounds. Thus sellers who meet with their buyers more often may be more sensitive to the differences between them than those who primarily exchange information through impersonal means. Hence, as found in the study, they might be more likely to say that forming friendships with the buyer is not easy or be less willing to call the buyer home. The sellers who had fewer personal contact with their buyers may have less knowledge of the friendliness of the personnel from the importing firm and hence may have a more optimistic view of them.

It is also possible that the relationship between social exchanges and distance follows an inverted U form with very low and very high levels of social exchange being related to low levels of distance. In other words, with very low levels of social exchange the parties may be ignorant of the differences between them; during the initial stages of high social exchange, these differences may become obvious and influence the distance felt by the seller. (This is also in line with the findings of Thunman (1988). The above researcher, after studying the licensing relationships of Indian firms with Swedish organizations proposes that

the greater the differences in culture, the greater the friction in face-to-face interaction especially at lower hierarchical levels). With further and continued social exchange the differences may be better accepted and hence the distance between the parties may reduce again.

The last hypothesis of the study was concerned with the relationship with conflict and success. Specifically, based on past research findings, it was hypothesized that as the conflict between the parties decreases, the relationship will be perceived as more successful by the sellers. For example Ford and Djeflat (1982) report a negative correlation between the level of conflict and success in a relationship. The previous studies had, however, dealt with relationships in the context of developed nations; the last hypothesis aimed to reexamine the relationship between these two variables in the context of developing country based exporters.

As stated in chapter 7, in general, this hypothesis was found to be validated by the data. Both the objective and subjective measures of success were found to have negative correlations with conflict variables. Overall frequency of conflict was found to be negatively correlated with number of repeat order (by the buyer), past sales trend and a subjective mea-

sure - satisfaction with the cooperation shown by the buyer. The measures of success that were most often negatively correlated with measures of conflict were success in achieving sales targets (SUCCESS), satisfaction with the cooperation shown by the buyer (STCOOP), and repeat sales (REPEAT). Other measures of success were also negatively correlated with certain conflict measures. Thus, it can be said that in the context of developing country based exporters also, the overall negative relationship between conflict and success appears to hold.

It is interesting to note that the conflict measures that were significantly associated with success are the overall frequency of conflict and conflict over quality and delivery. Conflict over other matters also seems to affect the perceived success of the relationship - but not in any consistent manner.

VIII.1.4: Effects of Moderator Variables

Seven moderator variables were included in this study - organizational size, age of the firm, its export experience, industry characteristics, managerial expectations from exporting and two managerial characteristics (knowledge of foreign languages and foreign experience). Of these the last two had to be omitted from further analysis as there were very few

managers with knowledge of foreign languages (other than English) or foreign experience. Of the five variables, significant correlations were found between the three organizational variables (size, age and export experience). Similarly, high correlations were found among the various items regarding managerial expectations from exporting and between industry characteristics. Hence one variable from each subgroup was used for further analysis - age (organizational variable), managerial expectations regarding the effects of exporting on the firm's profits (to represent managerial expectations) and a total industry score was used to represent the overall stability of the industry.

As stated in chapters 6 and 7, the retesting of the first five hypotheses did not yield any new insights. Overall, the moderator variables did not have any major impact on the results of the tests conducted to examine these hypotheses. In the case of the last two hypotheses, the moderator variables did seem to affect the relationship between the variables under study to some extent. In the case of hypothesis six, the inclusion of the moderator variables seem to reduce the effects of information exchange on distance. Even information exchange variables which had been found to be significant earlier were not correla-

ted with distance between the parties once the moderator variables were included in the study. It should again be emphasized that the validity of some of the results found might be lower in this instance due to low expected frequencies in the cells.

In the case of the last hypothesis, the inclusion of the moderator variables did not alter the results very much. However, there were indications that two of the moderator variables - industry characteristics and managerial expectations regarding the effects of exporting on the firm's profits - may influence the results to some extent. Overall, the effects of the moderator variables in this study were not found to be very great.

VIII.2. OTHER GENERAL FINDINGS FROM THE STUDY

While the analysis of the hypotheses yielded certain interesting results, the present study can also provide insights into other characteristics of developing country-based exporters. Are exporters of industrial and consumer goods really different from each other on other characteristics? Can profiles of the exporters be drawn based on the destination of exports (i.e., developed Vs developing)? How do successful and unsuccessful exporters differ from each other? In order to answer some of these questions, a series of

discriminant analyses were performed using product type, destination of exports and success/failure of the relationship as independent variables. Summary tables of the results are provided in this section.

VIII.2.1: Profiles of Consumer and Industrial Goods Exporters

The results of the study presented in earlier chapters indicate that industrial and consumer goods exporters from developing countries may differ in the degree of conflict over delivery, the number and level of product adaptations and their degree of dependence on their buyers. Are there other differences between the two groups? To answer this question, the managerial, organizational and other characteristics of the two groups of exporters were analyzed using discriminant analysis technique. As discriminant analysis ideally requires dependent variables that are interval or ratio in nature, only those organizational, managerial, and other characteristics that meet this criteria were used for the analyses. Some of the other key variables were examined using crosstabulations. The results of both these tests are provided in tables 8.11 to 8.17.

As can be seen from table 8.11, the most signficant discriminators were the firm's export experience

(EXPERIENC); managerial expectations regarding the effects of exporting on the firm's profits (EXPRF), stability of sales (EXSTAB), overall business risk (EXRISK) and market development (EXMKT); and the percentage of sales going to the buyer (BUYERSZ). Other discriminant analyses and crosstabulations indicated that the firm's age (YRSBUS), percentage of sales that exporting accounts for (EXPER) and the number of alternate buyers that the firm may have may also be variables that would differentiate between industrial and consumer goods exporters.

In general, consumer product exporters seem to be those with a higher amount of business and export experience. This is line with the country's overall economic development. As is well known, India was, until recently, an agrarian nation that exported low value consumer goods, raw material and natural products. Thus the exporters of such goods are more likely to be well established businesses with long years of export experience. These companies also seem to have a considerable portion of their sales coming from their export activities (table 8.12). This is consistent with what was found when the dependence of consumer and industrial product exporters were analyzed). Since many of the consumer goods exporters in

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Table 8.11

Variables That Discriminate Between Exporters of Industrial and Consumer Products

Results of Discriminant Analysis - Summary Table

Step	Variable Entered	Wilks' Lambda	Min D	P	Std. Cannon Discr.Coeff.	Group Mean Indl	Group Mean Consum	Structure Matrix
1	BUYERSZ	.6498	2.0115	.0158	1.49290	3.667	2.000	0.30940
2	EXRISK	.4493	4.5755	.0055	1.58827	3.667	2.800	0.26866
3	EXPERIEN	.3142	8.1479	.0024	1.30932	20.333	13.400	0.09220
4	EXMKT	.2266	12.7385	.0015	0.99916	4.167	4.000	0.06188
5	EXSTAB	.1859	16.3482	.0020	0.85144	3.833	3.800	0.00937
6	EXPRF	.1509	21.0124	.0028	-0.63944	4.167	3.500	0.12376

Classification Results

Actual Group	n	Predicted Group Consumer	Predicted Group Industrial
Industrial Products Exporter	10	7 (70.0%)	3 (30.0%)
Consumer Products Exporter	28	4 (14.3%)	24 (85.7%)
Total n	38		

Percentage correctly classified = 81.58%

Eigen Value = 5.6284 Cannonical Correlation = 0.9214839

Wilks'Lambda =0.1508674 Chi-square = 20.805 d.f. = 6 Sig =0.0020

Table 8.12

Product Type and Percentage of Sales From Exports

Exports as % of Sales	Product Type Industrial	Consumer	Chi-sqr.	Sig	Cells c E.F<5
Less than 5%	21	2	8.694	.003	25%
6 to 89%*	5	6			
Total N	26	8			

*Firms with 90% or more of sales from exports were classified as primarily export oriented. There were 13 such firms and they were all exporters of consumer goods.

Table 8.13

Product Type and Firm Ownership

Type of Ownership	Product Type Industrial	Consumer	Chi-sqr.	Sig.	Cells c E.F<5
Private Ltd	8	14	14.734	.0006	33.3%
Public Ltd	27	4			
Govt/Other	3	2			
Total N	38	20			

Table 8.14

Product Type and Source of the First Export Order

Source of first Order	Product Type Industrial	Consumer	Chi-sqr.	Sig	Cells c E.F<5
Own Active Sales Efforts	19	5	3.161	.07	None
Unsolicited orders	9	8			
Total N	28	13			

Table 8. 15

Product Type and Sources for Current Orders

Source of Current Orders	Product Type Industrial	Consumer	Chi-sqr	Sig	Cells c E.F<5
Own Active Sales Efforts	24	9	2.731	.099	25%
Unsolicited Orders	5	6			
Total N	29	15			

the study were entirely export oriented firms, this is to be expected. Interestingly, these exporters seem to have as a major objective, lowering the business risk that a firm faces.

When these factors are combined, the profile that emerges is one of family owned, (table 8.13) well established firms that have considerable experience in exporting but which may also tend to be risk averse. Perhaps this explains the reactive role that most of these sellers seem to be play in their relationships with their buyers. It is also interesting that a significantly higher number of consumer goods exporters had received their first order through passive means (i.e., unsolicited orders from buyers). Most of the firms studied were unwilling to take steps on their own to develop new product ideas or designs. In general, they still waited for the buyers to come and tell them what was required (tables 8.14 & 8.15) Very few actively searched for new buyers in spite of the fact that exporting was more profitable to them than to industrial goods exporters. As mentioned earlier, the price that industrial product exporters got for their products abroad was considerably lower than what they could receive in domestic markets. The reverse was true for consumer products exporters (table 8.16).

Quite often, these firms could not predict their sales figures or composition of sales (i.e., breakdown of products to be sold) for the next year. There was no planning ahead or market research for finding out trends in the market place. Many of these firms, were, of course, quite small and hence may have been unable to do extensive market research. But even the larger, state-sponsored enterprises or cooperatives did very little proactive work to gauge market trends. In fact, the largest cooperative chain in South India had a drop in sales of 50% in 1986 and still was not planning to take any corrective action!

The lack of search for new buyers during good times often led to extreme fluctuations in sales due to the loss of one buyer. For example, one of the smaller, family owned producer of handloom goods was selling over 70% of its output to a few buyers in one African nation. In 1985, the government of the African nation banned all imports of handloom products from India. The firm experience a tremendous drop in sales in 1985-86; it had no alternate buyers in other countries and when interviewed was just beginning to look for new buyers in other nations!

A look at the expectations of managers in these firms adds further insights to the profiles of consumer and industrial goods exporters. Exporters of

Table 8.16

Variables That Discriminate Between Exporter to Developed and Developing Nations

Results of Discriminant Analysis - Summary Table

Step	Variable Entered	Wilks' Lambda	Min D	Sig	Std.Cannon. Discr.Coeff	Group Devg.	Means Devd.	Structure Matrix
1	BEGANEXP	.62613	2.4318	.012	-3.61549	11.600	6.273	-0.26680
2.	MKTSHAR	.47209	4.5542	.008	3.26317	2.800	2.273	-0.07369
3	EXMKT	.36686	7.0288	.006	-0.83110	4.400	3.909	0.15503
4	EXPRF	.31412	8.8929	.008	0.92641	3.000	4.091	0.16983
5	EMPL	.25358	11.9880	.009	1.72578	3145.6	1661.5	-0.09049
6	EXINGRTH	.19692	16.6094	.008	0.82712	3.600	3.727	0.03512
7	EXSTAB	.15315	22.5211	.009	0.93771	3.400	4.000	0.14314
8	EXGRTH	.10652	34.1630	.008	0.99032	4.000	3.909	-0.01762

Classification Results

Actual Group	n	Predicted Group Developing	Developed
Developing Country Importer	10	7 (70.0%)	3 (30.0%)
Developed	20	3 (15.0%)	17 (85.0%)
Total	30		

Percentage correctly classified = 80.0%

Eigen Value = 8.38824 Cannonical Correlation = 0.94524

Wilks' Lambda = 0.10652 Chi-square = 22.395 d.f.= 8 Sig = 0.0042

Table 8.17

Destination of Exports and Percentage of Sales From Exporting

% of sales from Exporting	Export Destination Developed	Developing	Chi-sqr.	Sig	Cells c E.F<5
Less than 5%	11	12	5.849	.016	25%
Less than 90%	10	1			
Total N	21	13			

Table 8.18

Destination of Exports and Ownership of Firms

Type of Ownership	Export Destination Developed	Developing	Chi-sqr	Sig	Cells c E.F<5
Private Ltd	17	5	5.606	.061	33.3%
Public Ltd	17	14			
Govt/other	5	0			
Total N	39	19			

consumer goods view exporting as highly profitable but not as an activity that would enable them to find new markets or aid in the country's growth. They also expect exporting to increase the overall business risks of the firm. Industrial product exporters, on the other hand, expect exporting to widen their markets, decrease their business risk and also aid in the country's growth. However, they do not see exporting adding to the firm's profitability.

To summarize, as shown in Figure 8.1, while consumer goods exporters have valid economic reasons to engage in exporting and do not find it difficult to find buyers for their products, they still seem more reactive in their approach to exporting. This perhaps leads to extreme dependence on one buyer (or a few) for their sales and to great fluctuations in sales when that buyer(s) switches to another source. These fluctuations in sales, in turn, perhaps lead to their perception that exporting is a risky venture. If these firms are still involved in exporting, it seems primarily due to the extreme profitability of exporting compared to domestic sales.

It should be noted that even in domestic markets, producers of these consumer items (e.g., handlooms and handicrafts) have hardly been innovative in their marketing efforts. Most of these products have domestic

markets that are shrinking or, at best, stable. Perhaps part of the current state of affairs in these industries may be due to the small size of the firms or the family owned nature of these businesses. Whatever the reason, Indian exporters seem to be losing their prized standing in the world for these traditional exports while, at the same time, not gaining ground in the domestic market.

VIII.2.2: Profiles of Exporters to Developed and Developing Nations

The destination of exports from a developing country was another key variable of interest in the present study. Discriminant analysis was again used to develop profiles of exporters to developing and developed nations. As in the previous case, variables that could not be used in a discriminant analysis were analyzed using cross tabulations. The results of these analyses provided the following profiles of Indian exporters to developed and developing nations. (Tables 8.18 to 8.23).

The results of the discriminant analyses indicate that exporters to developed and developing nations differ primarily along the following variables: years of exporting to the current buyer (BEGANEXP); seller's market share in India (MKTSHAR); managerial expecta-

tions regarding the effects of exporting on the development of new markets (EXMKT), profitability (EXPRF), country's growth (EXINGRTH), and stability of sales (EXSTAB); and the number of employees in the company (EMPL). They also differed in their years of total business experience (YRSBUS), the frequency of contact through letters (LETTER), negotiations over price (NEGPRICE) and the number of trips to see the buyer (YRTRIP).

Specifically, exporters to developing countries seem to expected exporting to have a negative impact on the firm's profits, stability of sales and contribution to the country's economic growth. However, they expected exporting to have a positive effect on the firm's ability to develop new markets and overall growth. These firms had a larger workforce and had been exporting to their buyers longer but had lower overall business experience. In their negotiations with their buyers, the buyer most often had the upper hand in setting the final price. These firms also tended to visit their buyers more often than those selling to developed nations.

Cross tabulations indicate that exporting was likely to account for a lower percentage of sales in the case of exporters to developing than developed nations (sig=0.02). These firms were also more likely

to be public limited companies (sig=0.06) with slightly older export managers (sig=0.06). None of these firms felt that they could get an alternate buyer for their products easily while 17% of those exporting to developed nations had felt so (sig=0.07) and few had outside buyers. (Please refer to tables 8.17 to 8.22).

The lack of alternate buyers may, in part, be due to the nature of the competition that these exporters face in the developing world. Quite often, they have to compete with not only other Indian exporters for a share in the buyer's market but also with sellers from other developed nations. It is noteworthy that developing country-based exporters face as much difficulty in selling their products in the developing world as they do in developed nations. One exporter of industrial products who was interviewed, for example, said that his firm could not get a foothold in one of the developing countries that it was attempting to sell primarily because of the lack of status associated with buying products manufactured in India. Finally, the firm got around this issue by first shipping its products to its parent company in Europe and reselling them in the developing country with a more "respectable" made-in label!

Indian exporters also face difficulties in selling to developing countries because of the financial

Table 8.19

Destination of Exports and Length of Export Contract*

Contract Length	Export Destination Developed	Developing	Significance+
Longer than Average	2	6	0.007
Same as or	8	0	
Total N	10	6	

* Relative to what is normal in the industry.

+ Significance of Fisher's test statistic is reported (due to small n).

Table 8.20

Destination of Exports and Ease in Finding Alternate Buyers

	Destination of Exports		Total N
	Developed	Developing	
Can Find Buyer Easily	6	0	6
Can Find Buyer only with difficulty or not at all	30	18	48
Total	36	18	54

Chi-square = 3.3750 D.F. 1 p = .066

Table 8.21

Destination of Exports and Age of Respondents

Age of	Export Destination Developed	Developing	Chi-square	Sig	Cell c E.F<5
Under 30	4	0	7.386	.061	33.3%
30-39 yrs	13	6			
40-49 yrs	8	9			
50 + yrs	12	2			
Total N	37	17			

Table 8.22

Destination of Exports and Number of Outside Buyers

# of outside Buyers	Export Destination Developed	Developing	Chi-sqr	Sig	Cell c E.F<5
4 or under	11	0	7.553	.022	33.3%
5 to 9	8	3			
10 +	16	13			
Total N	35	16			

constraints that their buyers face. Quite often, these nations are not in a good economic situation and need special financial arrangements which these exporters find difficult to accommodate. As stated earlier, exporters to developing nations had actually made more changes to their credit terms than those selling to the developed world had. This would further reduce the attractiveness of the developing world as a market for these exporters and might have contributed to some of the negative managerial attitudes towards exporting.

Further, exporters to developing nations have to be more concerned with sudden changes in governmental policies than those selling to the developed world. While changes are to be expected in international markets, changes in rules and regulations in the developing world often seem far more drastic and unpredictable than those in many western countries. Thus Indian exporters to many African and Asian nations have found that their markets often collapse very suddenly. A firm selling to Sri Lanka, for example, had to change from selling fully assembled bicycles to selling bicycle parts as the government regulations regarding the importing of such products changed suddenly. India itself, as many western companies are well aware, has made many dramatic changes in its

importing policies which have led to the withdrawal of many international firms (e.g., IBM) from the subcontinent.

To summarize, the following profile of exporters to developing countries emerges from the present study: these are more likely to be large professionally managed, public owned enterprises that are not very dependent on exports for their economic survival. Their managers are not, overall, very positively oriented towards exporting. They also seem more prone to the influence of their buyers as it is harder for them to find alternate buyers. Thus, the overall profile that emerges is one of small exporters (in terms of percentages of sales from exports) who do not have managers who are motivated to improve their export performance. The negative expectations regarding the benefits of exporting to developing nations may be partly due to the financial and political instability of these markets. The handicap of being a developing country-based exporter is just as severe when dealing with other developing nations and probably makes competing in these markets harder for Indian exporters.

The profile of exporters to the developed world is the opposite of the one already described. They seem to have positive expectations regarding the

effects of exporting on the firm's profitability, sales stability and contribution to the country's economic firms. Though smaller in size and often family owned, these firms export a larger percentage of their sales and seem to have a greater role in negotiating a price with their buyers. (Figure 8.2 provides a profile of the exporters based on destination of exports).

In conclusion, there were fewer differences between exporters based on destination of exports than on product type. This is consistent with earlier findings in the study - both the hypotheses related to the destination of exports were not supported by the data. Thus, overall, it seems that the destination of exports plays a lesser role in buyer-seller relationships in the case of developing country based exporters compared to the type of product being exported.

VIII.2.3: Profiles of Successful and Unsuccessful Exporters

The success of the relationship has been a key variable of interest to researchers in the field of export marketing. Both the European Interactionist group and the North American researchers using the traditional marketing mix models have attempted to identify variables that correlate with success. While the success of the relationship is the variable of

real interest to researchers, the difficulties in operationalizing it has, often in the past, prevented researchers from studying this variable in any detail. Issues such as objective versus subjective measures of success, differences in the buyer's and seller's perceptions of the degree of success of the relationship, and short term versus long term success have all complicated the study of this variable.

In the present study, success was measured only from the seller's view point as the buyer was not interviewed. Seven measures of success were used- three objective measures and four subjective ones. All these measures of course, measured the outcomes of the relationship (or its success/failure) at one point in time only. In order to differentiate between successful and unsuccessful exporters, an objective measure - trend in sales to the buyer (TRNDSAL) was used to classify firms into two groups. The median was used as the cut off point - which resulted in firms with constant or decreasing sales falling under the first group and firm with increasing sales in the second. As in the previous cases, a set of discriminant analyses were performed along with cross tabulations when the variables were nominal or ordinal in nature.

The results indicate that successful and unsuccessful firms (in terms of sales trend) could be discriminated from each other using the following variables: percentage of buyer's need supplied (BYNEED); experience in exporting (EXPERIEN); market share of the seller in the domestic market (MKTSHAR); years of service of the respondents (YRSSERV); percentage of exports going to the buyer (BUYERSZ); and managerial expectations regarding the effects of exporting on the company's growth (EXGRTH), market development (EXMKT), sales stability (EXSTAB), profitability (EXPRF) and contribution to the country's growth (EXINGRTH) (table 8.24).

Successful exporters (or those with a positive trend in sales to the buyer) were found to have managers who valued growth and market development and were probably less concerned about stability of sales or short term profitability. These managers expected exporting to contribute positively to the firm's growth and to aid in new market development. They did not expect exporting to lead to higher profits or greater stability of sales and yet were actively involved in exporting for they had a slightly higher percentage of sales coming from exporting.

What could account for their greater interest in exporting in spite of somewhat mixed expectations

regarding its effects on the firm' overall performance? A look at the nature of the industry that they are involved in may provide the answer. Many of them are producers of small automotive parts, cutting tools, leather goods, etc. The emphasis on growth and market development may in part be due to the stable (and perhaps stagnant) condition of the industry domestically. This, when combined with their lower relative standing in the industry (as indicated by their lower market share), perhaps makes these managers look outward for growth and development rather than within the country.

One of the firms in the sample typifies the successful exporter identified in the present study. A privately owned family enterprise, this firm has plants producing diesel engines and other related component parts. Situated in South India, the firm faces severe competition from other manufacturers who dominate the industry. This market consists of many large producers many of whom are well established firms with considerable resources. Some are also subsidiaries of major multinationals or Indian conglomerates. In Madras city alone, in just one of the industrial areas within the city, there are half a dozen manufacturers of such items!

Unlike most other industrial exporters in the present study, this firm exported over 15% of its output and was hoping to increase this further. The firm saw exporting as a primary vehicle for growth due to the highly competitive nature of the domestic market. The owner-manager had taken considerable initiative in developing contacts abroad and was confident of his firm's ability to meet international standards. In spite of being a relatively young firm, the company had managed to gain a foot hold in foreign markets due to its emphasis on producing high quality products and providing dependable service. Its competitors (with major shares of the domestic market), on the other hand, were not planning to increase exports to any significant extent.

Other managerial variables also seem to differentiate between firms with an increasing sales trend from those who had constant or decreasing sales to their buyers. The managers in the former had fewer years of experience within the firm than those in unsuccessful firms. They also appear to be somewhat younger in age.

Interestingly, the successful firms had not been exporting very long to their major buyer but had, overall, a significantly higher number of years of export experience. They had a lower percentage of

their total exports going to their major buyer. They also did not seem to value reduction of business risk to a great degree. As was discussed in chapter seven, these firms are probably better at managing issues related to product quality and delivery schedule.

The overall profile of successful exporters that emerges, is thus one of firms that are looking towards exporting for increased growth and market development; firms that are less risk averse and have a younger, slightly less experienced managers. They probably have a slightly upper hand in the relationship as they are less dependent on their buyers for their exports but supply a larger percentage of their buyers' needs. (Please see Figure 8.3).

VIII.3: SUMMARY

This chapter provided a discussion of the findings of the study. The first section of the chapter looked at the results of the hypotheses tests conducted in the present study and provided possible reasons for the lack of support found for some of the hypotheses. In the second part of the chapter, profiles of various types of exporters in the study were provided. It was found that industrial and consumer goods exporters could be discriminated from each other along several variables. There were fewer differences

between exporters to developed and developing nations. Successful exporters differed from unsuccessful ones mainly in terms of managerial expectations regarding exporting. The former valued growth and market development and expected exporting to contribute towards the achievement of these goals. These firms were also less dependent on their buyers.

In the next chapter, the general conclusions from the study and its implications for theorists and practioners will be discussed.

Table 8.23

Variables That Discriminate Between Successful and Unsuccessful Exporters (Based on Trend in Sales)

Results of Discriminant Analysis - Summary Table

Step	Variable Entered	Wilks' Lamba	Min D	Sig	Std.Cannon. Discr.Coeff	Group Means Unsucc.	Group Means Succes.	Structure Matrix
1	EXGRTH*	.86204	.569	.157		3.667	4.286	-0.13161
2	BYNEED	.71125	1.443	.109	9.63834	3.111	4.000	0.07305
3	EXPERIEN	.58978	2.473	.087	1.59877	13.111	19.714	0.05064
4	MKTSHAR	.49078	3.689	.076	-3.86894	2.778	2.000	-0.08289
5	EXGRTH*	.53005	3.151	.048				
6	YRSSERV	.40613	5.199	.030	7.53281	12.889	11.143	-0.00445
7	EXINGRTH	.30207	8.215	.019	1.53069	3.555	3.857	0.06307
8	EXMKT	.17424	16.850	.005	2.41001	4.000	4.143	0.03055
9	EXSTAB	.10232	31.193	.002	1.83890	4.000	3.571	-0.07272
10	EXPRF	.06616	50.186	.002	-0.78956	42.78	38.86	-0.00445
11	BUYERSZ	.05340	63.030	.004	-0.67021	2.889	2.286	-0.05342

Classification Results

Actual Group	n	Predicted Group: Constant or decreasing	Predicted Group: Increasing Sales
Constant or Decreasing Sales (Unsuccessful)	13	11 (84.6%)	2 (15.4%)
Increasing Sales (Successful)	8	1 (12.5%)	7 (87.5%)

Percent correctly classified = 85.71%

Eigen Value = 17.72721 Cannonical Correlation = 0.9729346
Wilks'Lambdaa =0.0533982 Chi-square = 27.835 d.f. = 9 Sig = .001

*EXGRTH was removed in the fifth step and hence does not have a standardized cannonical discriminant coefficient.

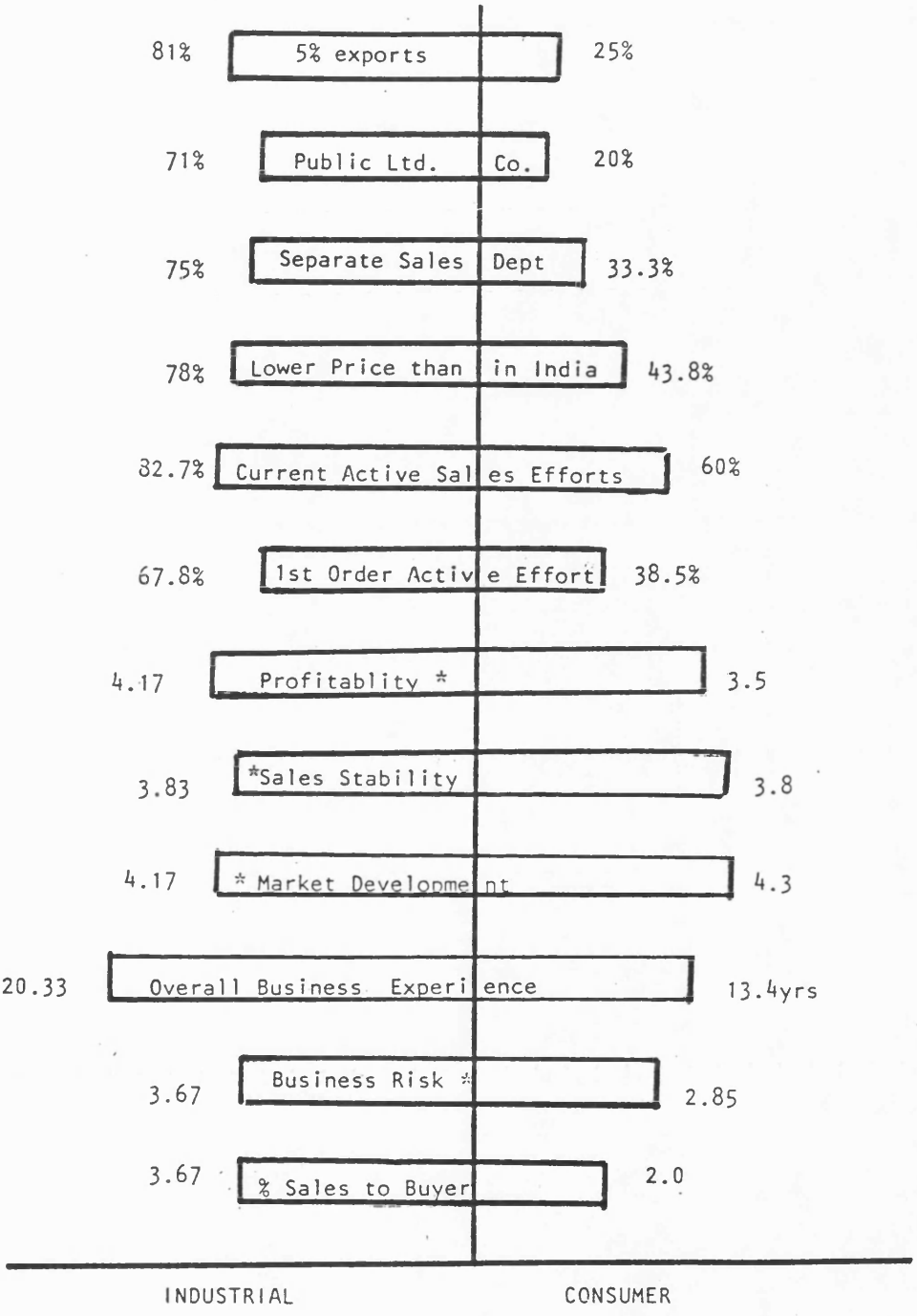

Figure 8.1: Profiles of Industrial and Consumer Goods Exporters

*Represents managerial expectations regarding the effect of exporting on these variables; higher value denotes a more positive expectation

Source: Compiled by the author

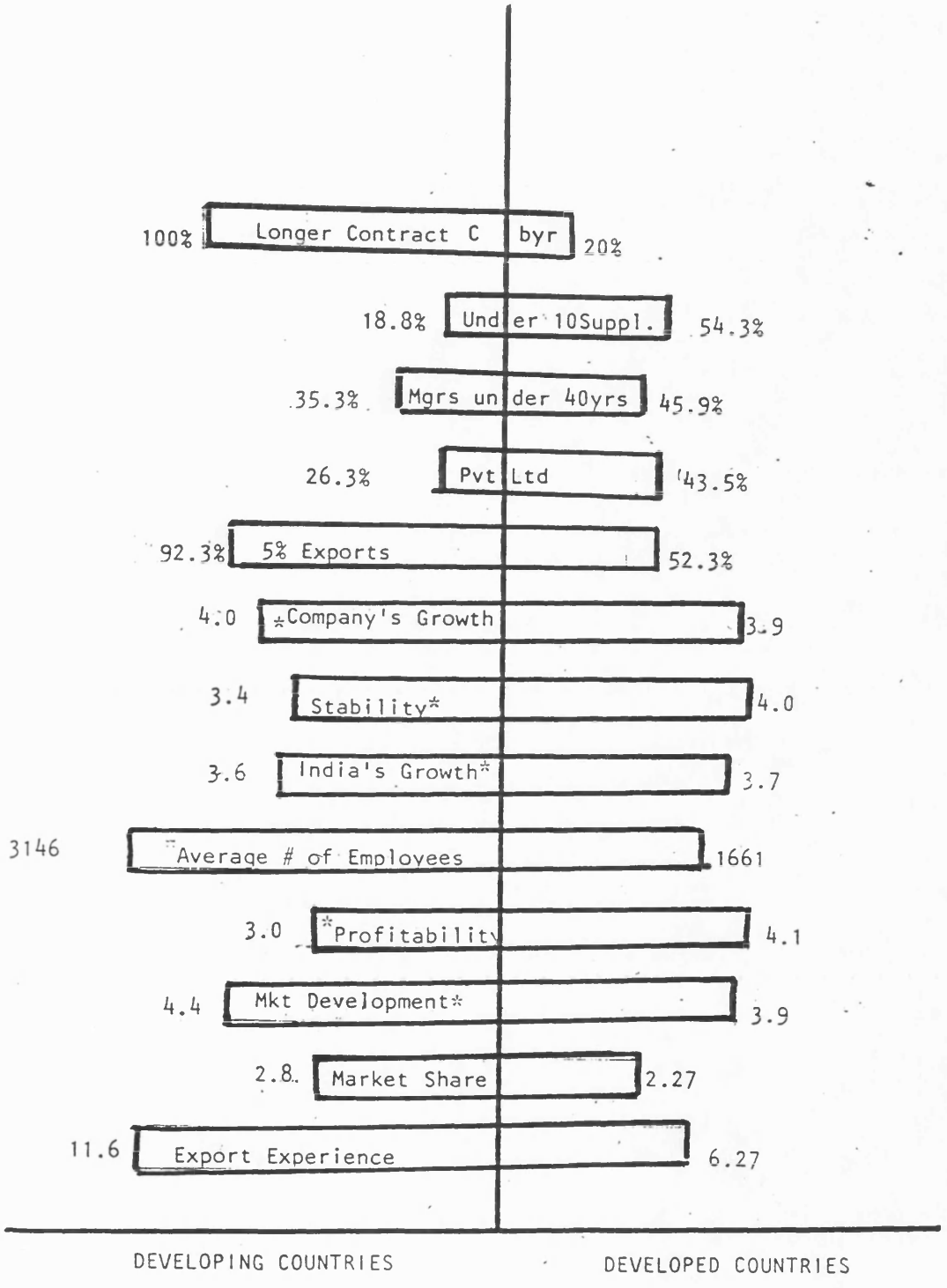

Figure 8.2: Profiles of Exporters to Developed and Developing Countries

* Represents managerial expectations regarding the effect of exporting on these variables; higher number denotes a more positive expectation.

Source: Compiled by the author.

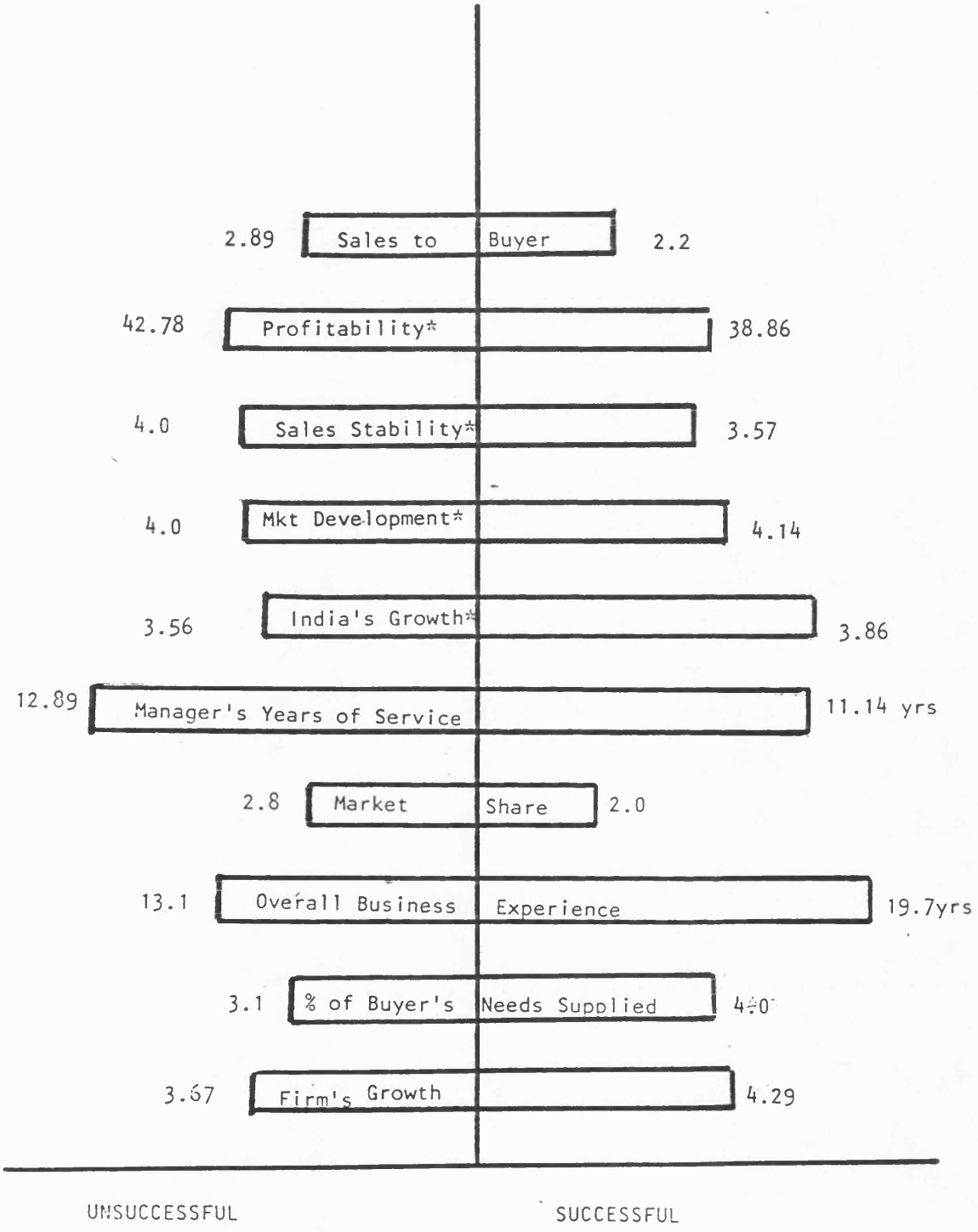

Figure 8.3: Profiles of Successful and Unsuccessful Exporters

* Represents managerial expectations regarding the effects of exporting on these variables; higher value denotes a more positive expectation

Source: Compiled by the author.

CHAPTER IX

GENERAL CONCLUSIONS AND IMPLICATIONS

IX.I: INTRODUCTION

In the previous chapter, the results of the hypotheses tests were discussed and profiles of industrial versus consumer goods exporters, exporters to developed versus developing nations and successful versus unsuccessful exporters were provided.

The present study started out with four main objectives. These were: (1) to develop a model to study buyer-seller relationships to study exporters from developing countries; (2)to study the impact of the nature of the product being exported on buyer-seller relationships; (3) to examine the impact of the destination of exports on the relationships between LDC exporters and their buyers and (4) to re-examine in the context of LDC exporters some of the earlier findings in the field.

Has the study achieved these objectives? What suggestions for practioners and theorists can be made using the results of this study? The rest of this chapter will focus on answering the above questions.

IX.2: GENERAL CONCLUSIONS FROM THE STUDY:

The single most important conclusion from the present study is that the nature of the product being exported does have an impact on the relationships between LDC based exporters and their buyers. More specifically, the study found that LDC based exporters of industrial and consumer goods differed in the frequency of conflict (with their buyers) over delivery, the level of adaptations to the product that was required, and their dependence on their buyers. When the experience that the firms had with their buyers was controlled for, it was also found that significant differences in the level of comparative conflict in the relationship existed between industrial and consumer goods exporters.

Exporters of industrial goods experienced a higher frequency of conflict over delivery and higher level of comparative conflict than exporters of consumer goods. These exporters also had to make more adaptations to their product and were more dependent on their buyers as they had fewer alternate buyers and had more difficulty finding new buyers for their products than those selling consumer goods. Thus, in terms of one of the objectives of the present study- i.e., the impact of product type on buyer-seller rela-

tionships in the context of LDC exporters - there were some positive results found. The implications of these findings will be discussed in detail in the next section.

The second most important finding of the present study was that distance is not only a difficult concept to measure, but perhaps its relationship with other variables may be more complex than had been previously hypothesized. Specifically, the study found that technological distance between the parties does not seem to lead to or be associated with social and cultural distance. The Indian exporters in the study did not feel a greater degree of social or cultural distance from their developed nation-based buyers than from buyers from other LDCs. Further more, the study also found that the relationship between (social and cultural) distance and information and social exchange was more complex than what was found in the literature survey. While a negative correlation was found between increases in information exchange and distance, social exchange and distance were found to be negatively correlated. Past researchers in the field had hypothesized similar relationships between information and social exchanges and distance.

Thirdly, the study found that, as in previous cases, there was a negative correlation between con-

flict and success. As the level of conflict in the relationship increased, the relationship appears to become less successful - whether one uses objective or subjective measures of success. The overall frequency of conflict in a relationship was found to have significant negative correlations with the success of the relationship. Of the various areas of conflict studied, conflicts over delivery and product quality were the measures of conflict found to be significantly associated with success. Thus it appears that exporters from developing countries should pay particular attention to these aspects of their dealings with their buyers.

Finally, the impact of the five moderator variables examined in the study was found to be minimal. (This may, in part, be due to the small sample sizes in some of the cells). Only in the case of the sixth hypothesis (i.e., the relationship between information and social exchanges and distance between the parties) did the inclusion of the moderator variables make any difference to the findings. Many past researchers had hypothesized significant relationship between export activity and the moderator variables included in the study. However, in the case of Indian exporters at least, these moderator variables do not seem to

influence the role played by product type and importer's nationality in buyer seller relationships.

Overall, it can be said that the study achieved its four main objectives. A model of buyer-seller relationship was developed and the impact of product type and destination of exports were studied. Some general relationships that had been found during the literature survey were also tested.

In the next two sections, the implications of the results found in the present study will be analyzed in detail. The first section will look at the practical implications of the study - i.e., implications to practicing managers and public policy makers. The theoretical implications of the results will be discussed in the third section.

IX.3: PRACTICAL IMPLICATIONS OF THE RESULTS

The present study offers certain useful insights for managers in exporting organizations and for governmental agencies attempting to increase a nation's export volume. The nature of the sample - i.e., exporters from a developing nation -may make the findings of this study more relevant for people in other developing nations than some of the previous works in this field. It is of course, more applicable to India

and to Indian exporters than to those in other developing nations.

IX.3.1: Implications for Managers

From a manager's point of view, this study provides insights into the differences that exist in buyer-seller relationship depending on the product being exported and the destination of the exports. Thus, it emphasizes the role played by these two variables and their possible impact on buyer-seller relationship. These differences may make it necessary for the sellers to modify their behaviours to be in line with the product being exported and/or the country that it is being exported to.

One of the major differences based on the product being exported that was identified in the study is the extent of adaptations on the part of the sellers that may be necessary. Exporters of industrial products from India should be aware that a greater extent of modifications to their product may be required in foreign markets and be prepared to make these changes. While this will prove to be expensive in the short term, it may be essential to secure a foot hold in foreign markets.

Delivery schedules have to be carefully managed by industrial goods exporters. The study indicates

that conflict over delivery is more prevalent among industrial than consumer goods exporters. Since conflict and success seem to be inversely related, it is imperative that Indian exporters - especially those exporting industrial products - take special care to reduce such conflict as much as possible. Ensuring that they meet their delivery deadlines is probably more critical to industrial exporters and hence they should take all possible steps to do so.

In the case of consumer goods exporters, the study indicates that while a good opportunity exists in foreign markets, these exporters need to take more of an active role in developing contacts in these markets. Their current approach to exporting appears to be a very passive one - with unsolicited orders being the primary source of new buyers. They also seem less involved in developing new products and/or designs. Such a reactive approach to exporting leaves them at the mercy of their buyers and contributes to the sharp fluctuations in sales that they experience.

The destination of their exports seems to have a lesser effect on buyer-seller relationships than the nature of the product being exported. Neither of the two hypotheses related to the destination of exports were supported by the data. There were also fewer differences between sellers to developing and deve-

loped nations than in the case of industrial and consumer goods exporters.

Further, distance between the partners (as perceived by the seller) and the number/level of adaptations required of the seller were not found to be greater when the importer was from a developed nation. This may be of interest to LDC firms attempting to diversify their market - especially those currently selling industrial goods to other developing nations. The fact that increased product adaptation is not required while selling to the developed world may make it easier to sell for LDC based industrial firms to sell their products in these countries. As stated earlier, one of the major reasons why some of the firms in the sample looked at nations like Sri Lanka and not at developed nations like the United States was their feeling that selling to other LDCs would require lesser degree of product adaptations. This may not be the case and perhaps these firms should not feel as apprehensive about selling to developed nations as they do.

However, it seems that firms selling to developing nations have to take a more positive attitude towards exporting than is currently prevalent. Developing countries still are the primary buyers of industrial goods from a country such as India and

hence need to be approached in a better fashion. Exporters to developing nations in the present study were found to have somewhat negative managerial attitudes towards exporting. This, perhaps, contributes to their inability to tackle these markets effectively.

From an organizational point of view, the fact that success in exporting does not depend on the length of a firm's experience should be reassuring. The successful exporters in the study did not have greater experience in exporting but had been dealing with their major buyer for a longer period. Thus, it is important for managers to realize that continuing a relationship and attempting to make it work is perhaps more important than their overall export experience. In the initial stages, conflicts may be common but such issues should be ironed out in a positive manner.

The present study emphasizes the role played by managerial expectations regarding exporting and its effects on the firm. Managerial attitudes were key differentiating factors between industrial and consumer product exporters, exporters to developed and developing nations and successful and unsuccessful exporters. For example, five of the top ten discriminating variables between successful and less successful exporters were those associated with managerial

expectations. It appears that successful exporters are those who recognize the potential for growth and market development that exporting can provide. They seem less interested in the short term contributions that exporting can make to the bottom line or in having a stable sales picture. These managers realize that exporting can be risky but are willing to take such risks for certain long term objectives.

Exporters from developing countries should take care in reducing the level of conflict between them and their buyers. The present study reconfirms the inverse relationship between conflict and success. A higher degree of conflict seems to reduce a firm's degree of overall success in exporting. Both objective measures of success such as number of repeat orders and subjective ones like perceived satisfaction with sales to the buyer seem to be negatively influenced by the presence of conflict in the relationship.

The study indicates that the primary causes of conflict are poor delivery schedules and inconsistencies in product quality. Can the managers in LDC firms do any thing to prevent such conflicts? The study indicates that a longer precontract period may be of some benefit. For example, some of the firms in the study - especially industrial product exporters-

had precontract contact of up to two years. During this time, they ironed out the difficulties they faced in terms of product quality and quality control procedures.

Another way to reduce conflict may involve having a stricter control over their suppliers. This is probably more relevant in the case of consumer goods exporters who, often, are dependent on smaller suppliers for part or all of their exports. One innovative handloom product exporter had overcome quality control problems by providing their suppliers with yarn that had purchased and dyed by the company itself. This enabled the company to be absolutely sure that the smaller weavers on whom it was dependent for some of its exports met its quality standards. Information exchanges in the form of communication through letters, telephone or telex messages, mailing of special information or company reports seem, in general, to be associated with lower degrees of distance between the parties. Thus, managers in charge of exporting should try to keep the lines of communication open and attempt to maintain a high degree of contact with their buyers.

Interestingly, the effects of social exchanges in the form of direct personal contacts seem to be more complicated. The study showed a positive relationship

between such exchanges and perceived distance. In other words, firms that had a higher degree of personal contacts with their buyers also perceived a greater distance from them. Causal linkages between the two variables was not examined in the present study. While alternate theoretical explanations of the findings may be provided, it would perhaps, be wise on the part export managers to take special care in their personal dealings with their buyers. Interpersonal and intercultural differences are more likely to be felt during personal contacts than during impersonal information exchanges. It is quite likely that such a positive relationship may also exists in the minds of their buyers. Hence when dealing with foreign buyers - regardless of their nationality - it might be wise on the part of export managers to take precautions to reduce such feelings of distance. Perhaps a less personal but longer initial contact period may be necessary. Greater knowledge of the work habits and cultural values of the buyer may also aid in reducing the perception of distance between the parties. Cross cultural training and management education programs may also be beneficial.

IX.3.2: Implications for Public Policy Makers

The present study provides several policy implications for government agencies and officials in charge of export development - especially those in developing countries. To begin with, the study indicates that there are differences in organizational characteristics of exporters based on product being exported and the destination of exports. For example, industrial goods exporters were primarily large multinational corporations while consumer goods exporters were smaller and more likely to be family owned businesses. This may provide a starting point for governmental agencies trying to locate and motivate potential exporters from developing countries.

Secondly, it is obvious that the firms exporting industrial products (in the present study, at least) were not doing so for economic reasons. This may also be true of exporters from other developing countries. These firms were involved in exporting primarily due to governmental pressure. Thus they were not at all interested in increasing their export activities beyond the minimum required levels. Unless the governments in developing countries such as India can provide support services and backing for such companies, they will always be marginal exporters. Many exporters of industrial products interviewed in the

present study stated that they cannot compete economically in foreign markets even if they have the technical skills to do so. Perhaps some type of pooling of resources may be required in certain industries for industrial exporters in countries such as India to succeed.

If the only way to increase the export of value added industrial exports is through governmental pressure, then perhaps the governments in such countries should raise the minimum export requirements in such industries. This, however, may have a negative impact on the local market as the costs of exporting would be transferred to the domestic market. In some instances, it is the governmental regulations such as production and import constraints that have made firms in developing countries less competitive in world markets. Such policies may have to be reevaluated.

Can LDCs increase their exports (especially of industrial products) to the developed world? Or are they likely to remain exporters of primary products as far as the developed nations are concerned? While no definite answers can come from a study such as the present one, a few promising insights can be gathered from the study. It appears that LDC firms need not be overly concerned about their ability to adapt their products to meet the needs of DC buyers. Export deve-

lopment agencies in these countries should, perhaps attempt to convince these firms that selling to the developed world may not be as difficult as they may perceive it to be. The major difference between sellers to developed and developing nations seems to be attitudinal in nature. Perhaps incentives for switching the destination of their exports may encourage more LDC firms to find new markets in the developed world.

Governments in developing countries could also provide more information to exporters regarding market opportunities that exist outside the country. Encouraging and aiding companies in their search for new markets may be essential to provide more stability to the exporting activities of these firms. In the case of consumer goods exporters, especially, this might be critical as most of these firms are small, family owned enterprises that may not have the resources necessary to get such information on their own. As Kaynak, Ghauri and Olofsson-Brednelow (1987) note, this is often the most important problems that small and medium sized firms face in the international market place. Governmental agencies such as export promotion councils could do more in this area than is currently being done. Again, pooling of resources between the firms or a central agency may even be

necessary for product development and market research purposes as individual firms spend hardly any money on these activities.

Several managers in this study had encountered negative stereotyping of LDC firms and products. This was particularly true of managers marketing industrial products. Perhaps governments in these nations should attempt to launch public relations campaigns to counteract these stereotypes. Certainly, this would be a costly venture with few short term benefits. At the same time, this may be essential for long term survival. Increased governmental action may also be required to achieve greater share of the markets in the developing world and in the centrally planned economies. In both these cases, governments or quasi-governmental organizations are the primary buyers of many industrial goods (e.g., buses for local transportation agencies). Hence an active role by LDC governments may be required to secure a foot hold in these markets.

The study has highlighted the role played by managers and their attitudes in the field of exporting. As Wortzel, Wortzel, and Deng (1988) note, the attitudes and perceptions of neophyte exporters often reflect their home country's business environment and culture. This may not always be suitable in interna-

tional markets. It may be possible for government agencies to promote exporting by focussing on individual managers in these firms. Providing adequate training in exporting, greater access to information, and fostering a better climate for exporting may all aid in the development of positive attitudes towards exporting. Training in exporting or international business is often lacking in developing countries. This can be detrimental to the development of international trade as most aspects of exporting are differnet from marketing in the home environment. For example, as Adler and Graham (1989) note, significant differences in negotiating patterns were found between domestic and international markets.

Even in a country like India with fairly good educational facilities, very few of the managers interviewed had any special training in exporting or international business. It is perhaps not surprising that many of them had negative attitudes towards exporting and were content to remain in the domestic market. As Dunning (1989) notes, any such training should be interdisciplinary in nature to be of full benefit to the managers.

The study also indicates that many firms - especially the smaller ones - are not marketing oriented. This is hardly surprising as even the larger firms in

the country are not highly marketing oriented. There is as Kinsey (1988) states, a lack of marketing orientation even at the state level. The lack of emphasis on smaller firms in India is well known (Kinsey, 1988). Smaller firms need governmental assistance in areas such as training of personnel, financial planning and above all, marketing planning. As Kinsey states, governmental planners have to incorporate smaller firms in their strategy and provide information on governmental assistance available to these firms.

IX.4: THEORETICAL IMPLICATIONS OF THE STUDY

The theoretical implications of the findings of this study will be looked at from two different angles: implications for present researchers and directions for future research.

IX.4.1: Implications for Present Research

The present study aimed to identify the effects of two contextual variables on the relationships between developing country-based exporters and their buyers. The key concepts used in the present study are ones that are familiar to researchers in the field of export marketing. The study examined the effects of product type and destination of exports on varia-

bles such as conflict, dependence, distance and adaptations by the seller - all from the view point of the seller. Past researchers have concentrated on buyer-seller relationships among firms in the developed world. Thus, this is one of the few studies to examine some of these concepts using a sample of exporters from the developing world.

Most researchers in the field had classified products on the basis on the production process involved (e.g., batch or mass produced) or as capital goods, accessory equipment and component parts. The general emphasis has been on industrial products alone. This study classified products in a different way - as consumer and industrial products. The results indicate that such a classification may be worth further examination for differences were found between consumer and industrial product along certain relationship dimensions. For example, the results of the study indicate that industrial product exporters from developing countries have to make more adaptations to their products than exporters of consumer goods. Industrial exporters were also found to have a greater level of dependence on their buyers for it was more difficult for them to find alternate buyers. These exporters were also aware that their buyers had other

sources of supply which would, in turn, increase their dependence on their buyers.

The other context variable - destination of exports - was not found to have any significant influence on the level of adaptations or distance between the parties. The results indicate that economic and/or technological distance between the parties may not be as important as the literature seemed to indicate. Neither did this distance lead to distances in the socio-cultural sphere for the firms in the sample. While further validation of the results in this study are required, these results seem contrary to what had been found in earlier studies with samples from developed nations.

The present study also examined the relationship between information and social exchanges and distance. Many researchers have hypothesized that higher levels of information and social exchanges would be necessary when the distance between the parties is very high. Thus, theoretically, both information and social exchanges should lead to lower distances. The results were somewhat mixed - information exchange and distance were positively correlated in the study while social exchange and distance were negatively correlated. The study did not test the causal link between these two variables but the results do indicate that

there may be differences in the impact of various types of exchanges between the parties.

Past researchers had hypothesized that conflict leads to lower levels of success in a relationship. The results of the present study confirm this relationship between these variables in the context of exporters from developing nations. Both objective and subjective measures of success were negatively associated with measures of conflict.

Another interesting research implication emerging from the study is that alternate operationalizations of a variable can lead to entirely different conclusions. For example, dependence has been operationalized in the past as percentage of total sales and/or exports accounted for by the buyer, ease of finding an alternate buyer and number of alternate buyers. In this study, it was found that two of the above operationalizations led to the conclusion that industrial product exporters were more dependent on their buyers while the first led to the opposite conclusion. The unique nature of the Indian export environment had made the use of sales oriented measures of dependence unreliable. Lower levels of sales to a buyer need not always lead to lesser dependence. Thus, future researchers should carefully consider the operationa-

lizations for each variable in a study and their appropriateness to a specific situation.

The moderator variables in the present study were found to have very little influence on distance, adaptations, dependence and conflict between the parties. The results of the discriminant analyses, however, did indicate that managerial attitudes are key discriminators especially between successful and unsuccessful exporters and between exporters to developing and developed nations. While many past researchers have acknowledged the importance of managerial attitudes, very few have actually incorporated them in studies on exporting. More attention may have to be paid to this variable.

IX.4.2: Future Research Directions

The present study only looked at the impact of product type and destination of exports on a few variables - i.e., dependence, conflict, adaptations and/or distance. The influence of product type and importer's nationality on many other relationship variables needs to be examined. For example, would the level of conflict be higher when the seller is from a developing nation and the buyer is from the developed world than if both parties were LDCs? Does

the nature of the product have an impact on the number and frequency of information and social exchanges between the parties? These and other interesting issues need to be examined in the future.

The present study grouped all industrial and all consumer products together. Given the preliminary nature of the study and the constraints faced by the researcher, this was perhaps, unavoidable. However, it is quite likely that there may be differences between industrial products and between consumer products in terms of the variables studied. In other words, the nature of the relationship may change depending on what type of industrial and/or consumer product is being sold. While past researchers have looked at some subgroups of industrial products (e.g., products using batch and mass production technologies), other classifications may be possible. This is particularly true in the case of consumer goods exporters. Hence future researchers can attempt to subdivide these product categories and analyze them further.

Two scales, one for industry characteristics and one for measuring social and cultural distance between the parties were developed in the study. These were found to have fairly high levels of reliability. Further validation of these scales is, of course,

necessary and may form part of future research projects.

While the present study identified differences in the frequency and areas of conflict between industrial and consumer goods exporters, it did not focus on conflict reduction mechanisms. It is quite likely that successful and unsuccessful industrial (or consumer) product exporters differ in the types of conflict reduction mechanisms that they use. This might be a very fruitful area for future study.

As noted earlier, the operationalizations of the variables such as dependence, adaptations, etc., affect the results of a study to a great extent. While these terms have been commonly used by past researchers, very few good scales have been developed to measure these concepts. Such scales may also have to take into account the nature of the parties involved and their unique situations. However, more effort in developing such scales is necessary if consistent and generalizable findings are to be made.

Similarly, better operationalizations of distance between the parties need to be developed. Even in the present study, it appears that the respondents are often unable to distinguish between inter-firm and inter-country distance. This may be another area for future investigations.

Finally, the present study looked at only the sellers' side of the relationships. The nature and scope of the study and the constraints on the researcher made this focus on the sellers alone necessary. However, before one can make broad generalizations about exporting from developing nations, studies which look at both sides of the equation are required.

IX.5: SUMMARY

To summarize, this study has raised questions about the relationships between certain variables that have been found in the literature. It has also indicated that industrial and consumer goods exporters may have differences in their relationships with their buyers. While the hypotheses related to the destination of exports were not supported in the present study, it does provide evidence that exporters to developed and developing nations may differ along certain lines.

The limitations of the study should be taken into account before generalizing its results to other developing nations or other contexts. The sample size was small and while it seems to represent the population of Indian exporters, was not chosen using a probability sampling procedure. The study was limited to exporters from a developing country - the buyers were

not interviewed. It is likely that their perceptions may differ from those of the sellers. The sample was drawn from one developing country - i.e., India - as such, its results may not be generalizable to other developing countries.

Further research into the issues raised in the present study is necessary before definite conclusions can be drawn about the influence of product type and destination of exports on buyer seller relationships. The differences found in the study between Indian exporters and those from other (especially developed) nations need to be analyzed further. The study was cross sectional in nature. This may be a critical factor to consider in the case of variables like success since buyer seller relationships are dynamic rather than static in nature.

In conclusion, in spite of its limitations, the present study has provided practitioners, public policy makers and other researchers with findings that have implications for each group. It has also presented some directions for future research - which others, hopefully, will pursue.

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APPENDIX A

SURVEY QUESTIONNAIRE

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SURVEY QUESTIONNAIRE

SURVEY OF INDIAN EXPORTERS

As you will agree, a rapid increase in our exports is critical for India's economic growth. At present I am involved in a research study of Indian Exporters which will provide useful information on successful exporting strategies to developed and developing countries. The results of the study should be of considerable interest to all Indian exporters as it will:

(a) provide them with information on the types of contacts and interaction patterns between Indian exporters and their overseas buyers;

(b) provide information on how successful exporting companies manage their business; and

(c) assist the exporters with information which will help them search for new markets abroad.

To enable me to collect the data, a questionnaire is being used. May I request you to complete this questionnaire and return it to me at your earliest? It should take you less than forty-five minutes to complete the questionnaire in its entirety.

I would like to assure you that any information that you will provide will be kept strictly confidential and no other person except me and my research assistant will have access to it. Your company's name will not be divulged to any person or organization. All information will be reported only in summary form after removing the identity of the respondent.

Your participation in the study is vital for its success. If you participate in the study, a copy of the major findings will be mailed to you on request after the completion of the study.

If I can provide more information on the study, please do not hestitate to contact me.

Meanwhile, thank you for your time.

Sincerely,

Mallika Das
Department of Marketing

PART I CONFIDENTIAL

GENERAL INFORMATION ABOUT THE ORGANISATION

This part of the questionnaire aims to collect some background information about your organisation.

1. What is the name of your organisation and its address?

   _____
   _____
   _____

   When was it started? 19___

2. How large is your organization?

   _____ (latest total sales figure)

   _____ (total number of employees in your organisation)

3. Is your organisation part of a larger group of companies?

   Yes /_____/ If yes, which group? _____

   No /_____/

4. Is your organisation (tick only one)

   a) Privately owned /_____/

   b) Government owned /_____/

   c) Public Limited /_____/

   (d) Joint sector /_____/

   (e) Cooperative organisation /_____/

5. Does your organisation have a person or a department to look after exports?

   Yes, a person /_____/ Job title: _____ Reports to: _____

   Yes, a department/section /_____/

   Neither a person nor a department /_____/

   If there is a department/section, how many people are there in it? _____

6. What are the major products sold by your organsation and how do they relate to your total sales? (Please indicate by major groups of products if that is more relevant in your case)

Name of products (or product group)	of your total sales accounted by this product or group
1. _____	_____%
2. _____	_____%
3. _____	_____%
4. _____	_____%

7. What are the products you export?

Products exported	Countries to which exported
1. _____	_____
2. _____	_____
3. _____	_____
4. _____	_____

8. What percentage of your total sales comes from Exports? _____%

9. Which are the three countries to which you export the most?

Country 1 (highest exports) _____% share of your exports _____

Country 2 (second highest export) _____% share of your exports _____

Country 3 (third highest export) _____% share of your exports _____

10. Which year did you start exporting? 19___

11. When you started exporting for the first time, which were the products you exported? (include as many items as relevant)

Product 1 _____

Product 2 _____

Product 3 _____

12. Were you working for this organisation at the time it started exporting for the first time?

Yes /___/ /___/

(If answer is 'yes' please continue with question 12; if answer is 'no' go to question 14)

13. Do you know why your organisation decided to export? (check as many as you consider relevant)

a) to increase profits /___/

b) to expand total sales /___/

c) Indian market was stagnant or declining /___/

d) Government provided lot of incentives for export /___/

(e) a buyer from abroad approached us /___/

(f) other (specify) /___/

(g) I don't know or remember /___/

14. Do you know how your organisation got its first export order? (tick only one)

a) active sales promotion and drive on your organisation's part abroad /___/

b) an unsolicited order came from a buyer abroad /___/

(c) other (specify) /___/

(d) I don't know or remember /___/

15. For your exports, is the price you charge aborad (tick one)

a) higher than the price you charge in India /___/

b) same as the price you charge in India /___/

c) lower than the price you charge in India /___/

16. Currently, now do you get most of your export orders? (tick one)

(a) primarily through your own sales efforts /___/

(b) primarily through unsolicited orders from buyers /___/

(c) equally through your sales efforts and unsolicited orders /___/

PART II CONFIDENTIAL

YOUR INDUSTRY CHARACTERISTICS

In this section, your perceptions of the industry in which your firm operates are being collected. This information is vital for understanding the future trends in the industry and their effect on your firm's export performance.

1. For each one of the statements below, please indicate your agreement or disagreement with it by circling the appropriate number shown to its right.

Industry characteristic	Do you agree with this statement? strongly agree (1)	agree (2)	disagree (3)	strongly disagree (4)	uncertain or don't know (8)
(a) ours is a very stable industry with virtually no changes in product design, customer needs, technical knowhow etc.	1	2	3	4	8
(b) The major changes and future trends in our industry are very predictable	1	2	3	4	8
(c) Our industry is changing very fast	1	2	3	4	8
(d) Our industry goes through periodic (cyclical) and seasonal fluctuations in demand	1	2	3	4	8
(e) Considering everything, I would say that this industry is very risky	1	2	3	4	8
(f) There is cut throat competition in this industry	1	2	3	4	8
(g) There are a number of new competitors presently entering this industry or planning to enter it in the near future	1	2	3	4	8

2. For the products that your firm handles, what share of the market do you currently hold?

Product	% of the total industry sales engaged by your firm			
	Less than 10%	10% - 20%	20% - 40%	40% and up
1. _____				
2. _____				
3. _____				
4. _____				

PART III YOUR BUYER CONFIDENTIAL

In this section a variety of questions about your buyer, your interactions and dealings with him and the type of relationship you hold with him are being asked. These questions are essential for us to understand the stages in the evolution of a good buyer-seller relationship and the techniques employed by successful exporting orginsations to keep their buyers happy and satisfied.

If you have more than one overseas buyer, please answer these questions in relation to the one buyer who buys the highest volume from your firm.

If you have two buyers who buy equal volume of goods from you, could you please answer these questions again for the second buyer at a later time? I will mail you the relevant section of this questionnaire on hearing from you.

For the findings of the study to be useful, it is important that we get accurate data about your buyer, Remember, your response will be kept strictly confidential.

1. In which country does your buyer reside? _____

2. How frequently do you ship goods to your buyer? _____ (times per year)

2a. Is your buyer a wholesaler, an agent or a manufacturer? _____

3. What other additional services do you offer to your buyer?

a) Servicing of items you sell /__/ (e) Financial or other advice /__/

b) Local stock holding /__/ (f) Training their personnel /__/

3.

c) Promotional advice or material /__/

d) Technical advice /__/

(g) Other (specify) /__/

(h) No additional service is offered /__/

4. What products do you sell to this buyer and when did you start exporting these?

Products	Year in which you started exporting to this buyer
1. _____	19____
2. _____	19____
3. _____	19____
4. _____	19____

5. How did your business with this buyer begin?

(a) buyer approached us /__/

(b) through our active sales efforts /__/ Please specify type of sales effort _____

(c) Other (specify) /__/

6. How much of your total exports volume does this buyer account for?

Less than 10% /__/

10% to 25% /__/

20% to 50% /__/

51% to 75% /__/

75% and above /__/

7. According to the information available to you, what percentage of your buyer's total requirement for this product is being purchased from your firm?

Products	Less than 10%	10%-25%	26%-50%	51%-75%	76% & up	Don't know
1. _____						
2. _____						
3. _____						
4. _____						

8. How often do you contact your buyer through these following means?

Means of contact	Very often	Often	Sometimes	Rarely	Never
(a) Through letters					
(b) Over the telephone					
(c) By telex					
(d) Visit the buyer in his country					
(e) Routine mailing of news letters or price charts, etc.					
(f) Send reports					
(g) Other (specify)					

9. Does any other person in your firm, apart from yourself contact the buyer?

Yes /__/ No /__/

10. If yes, please give details:

Job title of person contacted in buyer's firm	Contacted about
1.	
2.	
3.	
4.	
5.	

11. Whom do you contact in the buyer's organisation and about what (e.g. delivery terms, prodcut specifications, prices, payment terms etc.)?

Job title of person contacted in buyer's firm	Contacted about
1.	
2.	
3.	
4.	
5.	

12. Overall, do you feel that you have close enought contact with your buyer?

Yes /___/ No /___/ Don't know /___/

If no, why? _____

13. Overall, do you feel that there is sufficient exchange of all relevant information between yourself and the buyer?

Yes /___/ No /___/ Don't know /___/

14. What are the credit terms you give to the buyer?

15. Has your buyer given you any credit facilities or other forms of financial assistance?

Yes /___/ No /___/ Don't know /___/

If yes, what kind of assistance? _____

16. Has the buyer invested capital in your firm?

Yes /___/ No /___/ Don't know /___/

17. Have you ever visited the country in which your buyer operates?

    Yes /___/ No /___/

18. If 'yes', how many times in the past five years have you visted that country?

19. Have you made any changes to your product to suit the specific requirements of the buyer?

    Yes /___/ No /___/ Don't know /___/

    If yes, was that modification:

    a major one /___/ OR a minor one /___/

20. Have you made any modifications in your production process, design or methods to meet the buyer's specific needs?

    Yes /___/ No /___/ Don't know /___/

    If yes, was this modification:

    a major one /___/ OR a minor one /___/

21. Have you made any modifications in your usual delivery schedule (or terms) to suit this buyer?

    Yes /___/ No /___/ Don't know /___/

22. Have you made any modifications to your credit terms (or payment porcedure) to suit this buyer's needs?

    Yes /___/ No /___/ Don't know /___/

23. Have you made any modifications in your office routines or policies (e.g. desiging new forms, hire special equipment or personnel, etc. etc.) to suit this buyer's needs?

    Yes /___/ No /___/ Don't know /___/

24. Do you carry any special stock (or inventory) for the convenience of this buyer?

    Yes /___/ No /___/

PART IV COOPERATION BETWEEN PARTIES

This section aims to collect information on areas where your firm and the buyer have cooperated in the past. It also looks at areas where you had differences of opinion and how you overcame these. Information on these aspects is critical for us to understand the secret of successful buyer-seller relationship in an international context.

Remember, the answers you supply will be kept strictly confidential.

1. How much joint decision making occurs between yourself and the buyer on the following trade matters? Please use the following scale for answering these questions:

   3 " your firm and the buyer discussed the matter in detail and arrived at a solution jointly.

   2 " your firm and the buyer discussed the matter but the solution has identified by only one of you (the other person not agreeing to it)

   1 " the matter was never rreally discussed; one of you made the decision and thrust it on the other.

Please circle the appropriate numbers shown on the right:

Subject Matter	Type of Decision Making		
	Joint Decision	Only one party (after discussion)	Unilaterally (without discussion)
(a) price	3	2	1
(b) product specifications	3	2	1
(c) servicing agreements (for products)	3	2	1
(d) delivery schedule	3	2	1
(e) Financial arrangements (payment schedule, credit terms, etc.)	3	2	1
(f) Promotional assistance	3	2	1
(g) Changes in contract terms	3	2	1
(h) Other (specify)	3		

2. Overall, how cooperative would you say this buyer is when compared to your other buyers? (tick one)

1	2	3
Less cooperative than your other customers	As cooperative as your other customers	More cooperative than your other customers

3. What kind of a contractual agreement do you have with this buyer? (tick one)

   a written agreement or contract /___/ a verbal agreement /___/

   If no contract exists between you and the buyer, please go to question 11.

4. In case you have a formal agreement (written or verbal) with this buyer, which of the following would you say was the main reason behind it? (tick one)

   a) formal agreements are common practice in our industry /___/

   b) it is our company's policy to have formal contracts /___/

   c) it will be very risky if you do not have some formal commitment from the buyer /___/

   d) the financing agencies require it /___/

   e) other reasons (specify) /___/

5. What period is your contract with this buyer valid for (tick one)

   0-6 months /___/ 13-24 months /___/

   7-12 months /___/ over 24 months /___/

6. Is this the normal length of a contract in your industry?

   Yes /___/ No /___/

   If 'no' is your contract period

   Longer than the industry average /___/ OR shorter than industry /___/

7. Is there a provision in the contract to change the terms of contract in the mid-way?

   Yes /___/ No /___/

8. Did you try to change the contract before it expired?

   Yes /___/ No /___/

9. Who decided on the terms of the contract?

   Entirely by the buyer /___/

   Jointly between your firm and the buyer /___/

   Entirely by your firm /___/

10. Overall, are you satisfied with the terms of the contract with the buyer? (circle one)

1	2	3	4	5
Very Satisfied	Satisfied	Neither satisfied nor dissatisfied	Dissatisfied	Very dissatis-fied

11. How many repeat contracts or orders have you got from this buyer _____

12. Have you had any disagreements with the buyer?

Yes /___/ No /___/

13. Were those disagreements

major ones /___/ OR minor ones /___/

14. How frequently would you say you have disagreed with the buyer in the past?

1	2	3	4	5
Very often	Often	Sometimes	Rarely	Never

15. How often did you disagree with the buyer on the following specific trade matters? (circle one)

Trade matters	Very often	Often	Some times	Rarely	Never
a) Terms of contract	5	4	3	2	1
b) Product quality	5	4	3	2	1
c) Delivery schedules	5	4	3	2	1
d) Sales & Promotional efforts	5	4	3	2	1
e) Other supplementary services(e.g. repairs, guarantee, etc.)	5	4	3	2	1
f) Other (specify)	5	4	3	2	1

16. How often were these disagreements caused by the following factors (circle one)

Causes	Very often	Often	Some times	Rarely	Never
a) language differences	5	4	3	2	1
b) differences between yourself and the buyer in your level of technical knowledge about production	5	4	3	2	1
c) the buyer's ignorance about your resource constraints	5	4	3	2	1
d) changes in governmental regulations that affect the terms of trust unexpectedly	5	4	3	2	1
e) buyer's ignorance about Indian export regulations	5	4	3	2	1
f) Other (specify)	5	4	3	2	1

17. How were your disagreements with the buyer resolved? (tick one)

a) through negotiations between your firm and the buyer /___/

b) mediation (conciliation)efforts to third parties (e.g. Export promotion council) /___/

c) legal action /___/

d) other (specify) /___/

e) the disagreements were not resolved /___/

18. Compared to your other customers, would you say that you have had (circle one).

1	2	3
More disagreements with this buyer	more or less the same number of disagreements with this buyer	Less number of disagreements with this buyer

19. Compared to other buyers, how close do you feel to this buyer? (circle one)

1	2	3	4
I feel very close	I feel moderately close	I do not feel close	I am not at all close (or I feel very distant)

20. Compared to other buyers, how formal would you say your relationship with this buyer is? (circle one)

1	2	3	4
formal	somewhat formal	Informal and friendly	Very informal and friendly

21. Please indicate whether you agree or disagree with the following statements:

	Strongly agree	Agree	Disagree	Strongly disagree	Not sure N/A
a) I find it easy to make friends with people from this buyer's firm					
b) I would like to call this buyer to my house for lunch or dinner					
c) The persons in this firm with whom I dealt with were very different from Indians in their customs behaviours.					
d) The fact that the buyer belonged to a different religion did not affect our relationship in any way.					
e) Dealing with this buyer is different from dealing with Indians					
f) Language differances between the buyer and myself did not cause any problems in our dealings					
g) In general, one needs to take special care while dealing with people from this buyer's country					

PART V INTERDEPENDENCE BETWEEN YOU AND THE BUYER

This part collects some data on the breadth and depth of trade relations between your firm and the buyer. As you will realize, this information is vital for understanding the importance of this buyer to your firm and your operations.

1. What percentage of your total sales (both in India and abroad) is accounted for by this buyer? _____

2. To your knowledge, how many other suppliers of this product does this buyer have? In India _____ Outside India _____

3. How many other customers do you have for this product outside India? _____

4. If your relationship with this buyer were to end today suddenly, can you find another buyer for this product abroad? (tick one)

   Yes, very easily /___/ Yes,with some difficulty /___/ No,not at all /___/

   If yes, would this new buyer be from the same country as the present one?

   Yes /___/ No /___/

5. How long do you think it will take you to find another buyer in the above instance _____ months/years

6. Have you made any special concessions to this buyer which you usually do not make to your typical customers?

   Yes /___/ No /___/

   If yes, what?

7. How influential is this buyer in his country (i.e. if the buyer satisfied with your performance, can he get you other orders? or can the buyer dissuade other buyers from purchasing from your company if he is dissatisfied with your performance)(tick one)

   Very influential /___/ Somewhat influential /___/ Not influential /___/

8. In your estimation, how critical or important is this product (you supply) to your buyer? (in other words, if this product were to become not available suddenly will it hurt your buyer's operations and profits?)

   This is a critical item to the buyer /___/

   This is a fairly important item to the buyer /___/

   This product is not at all critical to the buyer /___/

9. If the product that you supply to this buyer is not exactly up to his specifications, how much would it affect the buyer? (tick one)

   It would affect to a great extent /___/

   It would affect to some extent /___/

   It would not affect at all /___/

10. In case the buyer becomes unhgappy with your firm for whatever reasons, is he likely to take legal action against you?

    Yes /___/ No /___/ Don't know /___/

11. In general, how satisfied are you with the following?

	Very satis-fied	Satis-fied	Neither satis-fied	Dissatis-fied	Very dissatis-fied
(a) with your sales to this buyer	5	4	3	2	1
(b) with your firm's profit performance	5	4	3	2	1
(c) with your firm's export performance	5	4	3	2	1
(d) with the cooperation shown by the buyer	5	4	3	2	1

12. How successful have you been in achieving your sales targets vis-a-vis this buyer? (circle one)

1	2	3	4
Very successful	Moderately successful	Unsuccessful	Very Unsuccessful

13. Approximately, what % of your total profits came from this buyer? What were your total sales to the buyer?

Year	% of your total profits coming from the buyer	total sales to the buyer
1960	_____ %	_____
1981	_____ %	_____
1982	_____ %	_____
1983	_____ %	_____
1984	_____ %	_____

14. Overall, is your sales to the buyer over the years

1	2	3	4	5
Increasing rapidly	Increasing slowly	Remaining constantly	Decreasing slowly	Decreasing rapidly

15. Finally, what are your firm's plans as far as sales to this buyer are concerned? (tick one)

Plan to increase the sales to this buyer /___/

Plan to keep the sales to this buyer constant (i.e. maintain at present level) /___/

Plan to decrease the sales to this buyer /___/

Will not sell to this buyer any more /___/

INFORMATION ABOUT YOURSELF

This section aims collecting some information regarding the nature of your job, your experience, etc. such information would be helpful in understanding this role played by the decision maker (i.e. you) in the export activities of your organisation.

As in the case of the previous sections the information collected through this section will also be kept strictly confidential. No other person or organisation except the researcher and the research assistance involved in it will have access to this information. All data will be reported only in summary form.

1. What is your job title? _____
(i.e. manager, export division, marketing manager etc.)

2. Would you describe in a few words what your job involves?
(i.e. what are your major job functions?)

_____
_____
_____
_____

3. When did you join this company? 19_____

4. How many years have you been in your present position? _____ years

5. Have you held other positions in this company?

Yes /___/ No /___/

If yes, what kind of job positions did you hold and for how long?

Job (last job first, the one before next, etc.)	No. of years	Job title/position
1.		
2.		
3.		
4.		

6. Have you had any other work experience related to exporting?

Yes /___/ No /___/

If yes, was it in the same field (i.e. exporting the same type of products)?

Yes /___/ No /___/

If yes, for how many years? _____ years

7. Have you had any special training in exporting (i.e. have you taken any special courses, attended seminars etc.)?

Yes /___/ No /___/

If yes, please specify the type of training

8. Have you lived and/or worked in other countries?

Yes /___/ No /___/

If yes, please give details of your stay abroad

Country	Years of stay	visited	worked
1.			
2.			
3.			
4.			

9. Do you travel abroad as part of your present job?

Yes /___/ No /___/

If yes, how many days in a year would you be spending abroad _____days

10. Other than your mother tongue and other Indian languages, how many languages do you know?

Language	Good (can discuss complex technical matters)	Limited (can discuss some job related matters)	Very limited (cannot/never use on job)
1.___			
2.___			
3.___			
4.___			

11. Please indicate your education background below? (tick highest level of education achieved)

High school /___/ College Degree /___/

Diploma /___/ Please specify _____

12. What is your age? ____ years

13. In your opinion, what is (or would be) the effect of exporting on each of the following (circle one)

Item	Decrease greatly (1)	Decrease slightly (2)	No effect/ don't know (3)	Increase slightly (4)	Increase greatly (5)
(a) your firms profit	1	2	3	4	5
(b) your firm's growth	1	2	3	4	5
(c) business risk or security of investment	1	2	3	4	5
(d) stable a	1	2	3	4	5
(e) developing	1	2	3	4	5
(f) contribution to India's economic growth	1	2	3	4	5

14. For each of the following, please indicate how important they are to your firm (circle one)

Item	Importance		
	Very important (1)	Moderately important (2)	Not important (3)
(a) High profit rate on investment	1	2	3
(b) High growth rate	1	2	3
(c) Security of investment or no risk	1	2	3
(d) stable predictable sales	1	2	3
(e) developing new markets	1	2	3
(f) contribution to country's economic growth	1	2	3

THANK YOU FOR YOUR COOPERATION AND PATIENCE !

APPENDIX B

THE INDIAN EXPORT ENVIRONMENT

APPENDIX B

THE INDIAN EXPORT ENVIRONMENT

Introduction

India is the world's second most populous country with a population of approximately 850 million. It has a highly diversified industrial sector producing a wide range of products though often on a modest scale. An idea of the manufacturing sector and size of the Indian economy can be had from the following data. In 1978, India ranked eleventh among the market economies and was fourteenth in the world in GNP in 1976. India's manufacturing sector was ranked fifteenth among the market economies and was among the largest in the developing world.

India was, at one time, a major exporting nation with established trade patterns dating back over 4000 years. For example, the Harappan merchants of the Indus Valley (in north western parts of undivided India) traded with Egypt, Babylon, Ceylon and China as far back as 2300 B.C. (Khanna, 1985). Indian merchants during the Mauryan era (350-290 B.C) traded cotton manufacturers, gold, silver, spices, jewels, etc., with the Greeks. When European traders came to India in the 15th century, India was a well established

exporter of a wide variety of products. Indian fabrics captured the British markets by the 17th century and began to displace British products.

India's trade with foreign nations began to decline during the colonial period. Even more important was the change in the composition of its exports. During this era, India changed from a exporter of manufactured items to an exporter of raw materials and food products. This pattern continued for many years and even after independence.

In this chapter, a brief review of India's post independence export performance is provided along with details of its current export policies. This background information on the Indian export marketing scene should provide the readers of the present study with a basic understanding of the environment in which Indian exporters operate.

India's Export Performance Since 1947

India's basic development strategy since independence has been one of import substitution with a strong bias toward the home market. This resulted in the growth of a relatively unspecialized industrial sector in which many products were produced. Exports were not seen to play an important role in its development. Thus India, one of the first developing coun-

tries to formulate detailed economic plans, did not have an effective foreign trade policy until recently. This resulted in the sluggish growth of exports with resulting problems in foreign exchange. In this section, details of the country's post independence during three periods - 1947 to 1970; 1971-1981; and 1980 to present - are provided.

India's Export performance from 1947-1970

India's exports at the time of its independence (August, 1947) amounted to Rs. 4080 million and consisted primarily of raw materials like cotton, raw hides and tea and jute manufacturers. Together, these four product categories accounted for approximately 70% of the nation's total exports. Table 1 provides details of the composition of India's exports at the time of its independence. The export trade was dominated by non-Indian firms and business houses and even the banking industry (which plays a key role in export trade) was under the control of foreign owned banks. The shipping industry was in a similar state with most of the nation's marine transportation needs being met by foreign owned vessels.

Along with independence and the partition of the subcontinent came severe difficulties in its export trade due to the reduction in the export of its two

major commodities, cotton and jute. When the subcontinent was partitioned into India and Pakistan, Pakistan received many of the raw material resources like raw cotton, jute and hides while the manufacturing capacities remained with India. Consequently, India's trade in cotton and jute suffered greatly as the raw materials had to be now imported from Pakistan and were often in short supply.

The government established an export promotion committee to study the problem and to increase the nation's exports. Further, the country began a period of planned industrialization through its Five Year Plans. However, the emphasis of the First Five Year Plan was on increasing the agricultural output of the nation. Still, by 1955-56, i.e., the end of its First Five Year Plan period, India's exports had grown to Rs.9308 million.

During this period, the government also established export promotion councils for various product categories - e.g., Textile Export Promotion Council, Plastics and Linoleum Export Promotion Council, Handlooms and Handicrafts Export Promotion Council. These export promotion councils were created specially to promote exports from specific industries and also function as registering authorities for their respective industries. They provide assistance to exporters

by locating buyers, sponsoring overseas visits, arranging trade fair participation, providing market intelligence and other related activities. Besides these, the government also established commodity boards for commodities like tea, rubber, coffee, silk, etc. The State Trading Corporation (STC) was also formed during this period and was placed in charge of export promotion activities in the country. Many industries were established during this period and the country had the capacity to produce and export manufactured goods like electric fans, sewing machines, etc.

India's Export Performance during 1971-1980

The early part of the 1970's saw significant improvements in the country's export trade with 1972-73 being a record year with a surplus in foreign trade. Exports grew at a remarkable rate of 25% during 1972-73. This change in the country's export performance was due to a variety of factors. The government adopted an Export Policy Resolution in July 1970 which emphasised the maximization of production to create exportable surpluses. Increased incentives like air freight subsidies and awards for outstanding exporters brought about a change in the attitudes of indian businessmen and exporting became a serious option for

many. Bilateral trade arrangements with many nations (especially the Centrally Planned Economies) also contributed to the phenomenal growth rate of Indian exports. During the Fourth Five Year Plan (1969-70 to 1973-74) the growth rate of the country's exports even exceeded its targets by 6.3% and reached 13.3%. This continued in the Fifth Five Year Plan (1974-75 to 1977-78). During the Fifth Five Year Plan the government, along with the state governments set up public sector export corporations to help promote exports. High level committees to examine problems affecting cargo shipments.

The political scene in India changed dramatically in 1977 with a new party - Janata - achieving power. The new government tried to reformulate the export policy to minimize "social costs of exports by regulating the export of essential mass consumption items" (Ministry of Commerce, Civil Supplies and Cooperation Report, 1977-78). The country's exports grew at a slower pace during this period - 5.1% in 1977-78 and 6% in 1978-79. The exception was the period 1979-80 when exports grew at the rate of 12.8%.

Not withstanding the overall gains in the country's export performance, India's share of world exports fell from 0.66% in 1972 to 0.33% in 1980-81. The volume of exports grew steadily to Rs. 6711 crores

in 1980-81 but the percentage of imports financed by exports fell from a record of 106% in 1972-73 to 53.7% in 1980-81. Traditional commodities like tea came down to 44% of total exports in 1974-75. India's share in the world exports of several traditional items came down - for example tea went from 33.4% in 1970 to 23.8% in 1979, leather from 13.4% to 10.1% and cotton fabrics 6.8% to 4.2% in the same period. Engineering good emerged as the largest foreign exchange earner in 1974-75 with 11% and has since maintained a high proportion of the country's exports.

India's Export Performance from 1981 onwards

The Janata Government was defeated in 1980 and the Congress party regained power in 1980 and a new Sixth Five Year Plan was announced. A major development during this Plan was the recognition of 100% export oriented units (EOUs) which were awarded special status and privileges. By 1983 there were 311 EOUs in the country. The export growth also started to improve and reached approximately 16% in 1981-82.

The country's performance seems even more impressive when viewed against the continued unfavourable trading environment in the world. The GNP of most industrialized countries was stagnant in 1980 and 1981, fell in 1982 and rose only slightly (2.3%) in

1983. Protectionist tendencies were also strong in many developed countries. World exports fell in value for the third consecutive year in 1983. Against this unfavourable environment, India's export trade increased by 15.9% in 1981-82, 13.2 in 1982-83 and 10.1% in 1983-84. However, many non-traditional manufactured exports like transport equipment, leather and metal manufactures, chemical and allied products, etc., declined in 1983-84. Thus, though India's export volume increased, and its share of total world exports showed positive trends in the early 1980's (from 0.4% in 1980 to 0.5% in 1981 to 0.6% in 1983), the country was not able to improve its performance in the manufactured goods sector. This is even more true in the case of industrial goods.

Another cause for concern is the low purchasing power of India's exports. As Figure B.1 shows, while the purchasing power of India's exports has grown in the past few years, it still lags behind that of most developing countries. Only the low income LDCs have a lower purchasing power for their exports.

Tables B.1 to B.3 provide details of India's export performance since its independence.

Direction of India's Exports

In the early 1950's the United Kingdom absorbed about 30% of India's exports. Some economists have argued that this emphasis on a mainly stagnant market led to India not exploiting the growing economies of western europe and north America and thus reduced its export potential (Wolf, 1982).

The 1960's was a period of high concentration on the centrally planned economies of Eastern Europe. Most of the increase in India's exports during this period came from exports to these countries. A significant portion of these exports was in the form of bilateral arrangements and it has been argued that this in itself reduced India's ability to export to other market economies. (Wolf, 1982; Banerji, 1977). Other analysts however, state that overall, these bilateral arrangements were the saving factors of the 1960's (in terms of export growth) and were in balance, beneficial to India (Nayar, 1976).

The 1970's saw not only an improvement in India's overall export picture, but also an ability to exploit new markets. India's share of exports to oil exporting countries for example, grew from 5% in 1972 to 15 in 1976. Its exports to developing countries and other LDCs also grew during this period. This growth has been maintained in the 1980's with the share of

centrally planned economies in India's exports falling during the period (from 25.3% in 1981-82 to 21.6% in 1982-83 to 16.0% in 1983-84).

India's largest trading partners in the 1980's have been the U.S., U.S.S.R., and Japan which accounted for approximately 35% of its exports with the United Kingdom and West Germany following very much behind.

India's Current Export Policies and Programmes

The late 1970s were a period of liberalization in the country's policy towards exports and export promotion became an important aspect of the nation's trade policy (Report on Currency and Finance, 1983-84). During the last few years, the government has reduced import restrictions and export controls. A duty exemption scheme was introduced in 1977 which allowed some items to be imported duty free. This list has been expanded during the past few years. A quick duty drawback payment scheme was introduced and has simplified the payment of drawbacks at custom houses and international airports.

Hundred percent export oriented units were encouraged and in 1984 these were allowed to sell 25% of their output in the home market against valid import licenses. Green cards were issued to these

units to facilitate speedy clearance of requests for exports and other procedures. Priority is given to these units for supply of power, telephone/telex connections, etc.

Free trade zones are being set up in four centres. "The primary objective of these zones is to meet the rigours of international competition in terms of price, quality and delivery of goods" (Report on Currency and Finance, 1983-84, p. 353). The government has introduced several measures to attract units to these zones.

The list of banned items for imports has been virtually abolished and the procedures for granting licenses have been liberalized. Higher rates of market development assistance have been provided to export houses which were participating in export development to new and difficult markets like Latin America.

The above are some of the major changes in export policies and programmes that were introduced recently by the Indian government. India has followed a piecemeal policy of trade liberalization which, according to some authors, reduced the efficiency of the trade system (Wolf, 1983). Selective liberalization can have adverse effects on fundamentally competitive industries. The failure to liberalize rapidly as

exports grew is considered to be another drawback of Indian trade policy. The nation's export policy had, until very recently, focused on the major industrial sectors and was designed to facilitate the export of a portion of their output. This did not facilitate specialization but led to inherently export oriented and highly labour intensive industries like gem polishing or clothing to be neglected. Finally, the uncertainty associated with export incentives made exporting a more risky and costly proposition than selling in the domestic market. For example, the rate of cash assistance was guaranteed for only three years and import policy was announced only a year ahead. This made export investment an unattractive option for many businesses.

Summary

This appendix outlined the general trends in the export performance of India in terms of its export volume and the direction of its exports. Current policies were also briefly outlined. The following points can be made about India's export performance:

(1) India's export volume grew slowly in the initial years after independence and picked up only in the late 1970s.

(2) The rate of growth of exports has been lower than that of most developing countries in almost all categories.

(3) The share of engineering goods has grown in recent years,but still constitutes a very small segment of the country's exports.

(4) India's share in world exports decreased until 1981. There has been a slight increase after that but its share of world exports remains negligible.

(5) India has been losing ground in its traditional exports like tea and at the same time has not been able to increase its share of non-traditional exports in any significant manner.

(6) The government has been actively involved in export promotion and has changed course to some extent - from a nation primarily involved in import substitution to one that actively promotes exports.

(7) Many new incentive programs and privileges for exporters have been introduced during the last few years.

Table B-1

India's Share In World Exports

Year	India's Share (in %)
1955	1.40
1960	1.00
1965	0.90
1970	0.60
1975	0.50
1976	0.60
1977	0.60
1978	0.50
1980	0.40
1981	-
1982	0.60

Source: Yearbook of International Trade Statistics, United Nations, NewYork, various issues.

Table B-2

Position of Engineering Goods in India's Exports*

Year	Total Exports	Exports of Engineering Goods	% of Eng. Goods to total exports
1956-57	977	5.16	0.5
1960-61	1,012	10.50	1.0
1965-66	1,269	29.41	2.3
1970-71	1,535	115.77	7.5
1975-76	4,043	408.22	10.1
1979-80	6,459	736.68	11.4
1980-81	6,711	900.00	13.4

* In crores of Indian Rupees

Source: Monthly Report on Trade Statistics, DCIS, Calcutta, Various issues

Table B-3

Composition of India's Export*

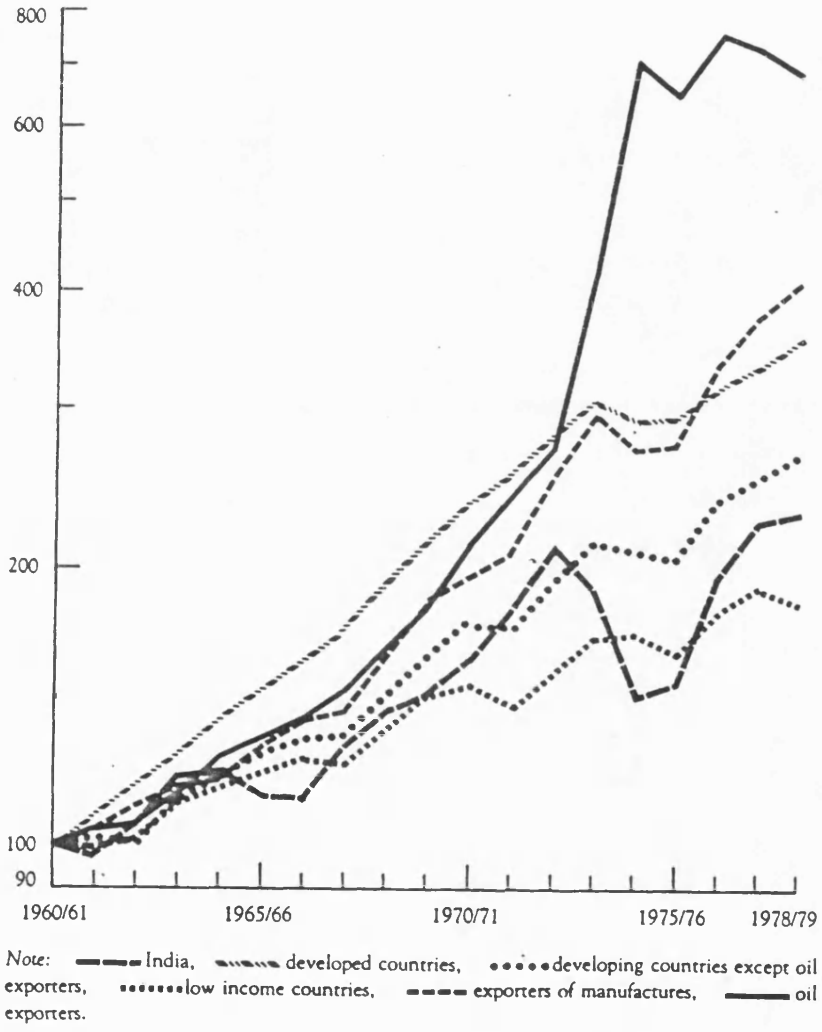
Item	1970-71	1975-76	1979-80	1980-81	1981-82	1983-84	1983-84
Food	413	1,253	1,690	-	1,919	-	-
Coffee alone	25	67	163	225	146	184	183
Tea alone	145	234	363	385	327	-	-
Beverages & Tobacco	33	99	116	-	236	-	-
Crude Materials (inedible) except Fuels	252	544	667	-	775	-	-
Iron Ore alone	117	214	285	289	352	374	385
Mica alone	16	15	21	18	31	19	27
Mineral Fuels, lubricants & related Materials	13	37	24	-	225	-	-
Animal & Veg. Oils, fats waxes	7	37	52	-	20	-	-
Chemicals & Related Items	36	91	208	209	375	308	270
Manufactured Goods	616	1,389	2,400	-	2,582	-	-
Leather alone	72	201	486	341	369	346	344
Cotton alone	97	216	382	-	420	-	-
Woollen Carpets	10	43	133	-	152	-	-
Iron & Steel	91	122	106	89	79	56	46
Machinery & Related Items	83	260	449	-	618	585	426
Electrical Machinery	16	65	97	-	133	-	-
Transport Machinery	39	84	173	-	212	-	-
Other Machinery	28	111	179	-	272	-	-
Miscellaneous	10	30	68	-	75	-	-
Total	1,535	4,043	6,459	6,711	7,803	8,834	9,727

* In crores of Indian Rupees

Source: Monthly Report on Trade Statistics, DCIS, Calcutta, India, Various issues.

Figure B-1

Purchasing Power of India's Exports



Note: India, developed countries, developing countries except oil exporters, low income countries, exporters of manufactures, oil exporters.

Source: Wolf, M. India's Exports. Oxford University Press, 1982

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APPENDIX C

Details of Tests Used in the Present Study

This appendix provides details of statistical procedures or tests used in this study. These include the chi-square test, the Mann-Whitney U test, discriminant analysis and reliability tests for two scales included in the study.

The Chi-Square Test: The chi-square test is one of the most popular tests of independence for nominal data. The data is organized into bivariate frequency tables or contigency tables and the test determines whether the classification on the row variables is independent of the classification on the column variable. The expected frequencies and the observed frequencies are recorded and the chisquare statistic is calculated using the formula:

$$\chi^2 = \sum_{i=1}^{r} \sum_{j=1}^{k} \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$$

Where O_{ij} = observed frequency

E_{ij} = expected frequency

In tests of independence (similar to those in the study), if the two criteria of classification are

independent, the joint probability is equal to the two corresponding marginal probabilities.

The requirements for a chisquare test are: (a) it requires frequencies and hence percentages have to be converted to cell counts; (b) expected frequencies in each cell have to meet a minimum requirement; (c) multiple answers per respondent cannot be analyzed and (d) the observations should be independent of each other - i.e., it cannot be used for before-after situationss. While there is agreement among researchers that a minimum frequency requirement has to be met, the exact number required per cell is till under debate. Most researchers now follow Cochran's (1952) rule of minimum expected frequency per cell of 5 in at least 80% of the cells. When more than 20% of the cells have minimum expected frequencies of less than five, adjacent rows/columns can be combined to meet this requirement as long as the logic of the classification scheme is not lost.

The Mann-Whitney U Test: This test is a powerful alternative to the t-test for equality of means when the data are ordinal (Churchill, 198), with 95% relative power with typical research samples (Roscoe, 1969). It is used when the data is at least ordinal in nature and does not require homogeneity of variance or

normality of distribution. It can be used when two random samples from the same parent population are subjected to different treatments and then compared on a single criterion. It can also be used when two independent samples are drqwn from two different populations and compared on a single criterion to determine whether the two populations differ on the criterion (Roscoe, 1969).

The Mann-Whitney U statistic is defined as the smaller of Ua or Ub where:

$$Ua = n_a n_b + \frac{n_b(n_b+1)}{2} - \sum R_b$$

$$Ub = n_a n_b + \frac{n_a(n_a-1)}{2} - \sum R_a$$

with n and n representing the two sample sizes and Ra and Rb representing the sums of the ranks assigned to the scores in the samples. If the calculated U value is smaller than or equal to the tabled value, the hypothesis is rejected and the observed differences are considered to be significant.

The Mann-Whitney test can be used only when the variables can be assumed to be continuously distributed. It is particularly useful with small samples and is perhaps one of the most useful nonparametric tests.

The Mann-Whitney test was chosen over other non-parametric tests like the Kolmogrov-Smirnov test or the Median test for the following reasons: (a) it is more powerful than the Median test; (b) the violation of the assumption of continuity, while a problem with both the Kolmogrov-Smirnov test and the Mann-Whitney U test, is considered to affect the K-S test more than the Mann-Whitney U test. As Roscoe (1969) states, the K-S test "suffers great loss in power if the assumption of continuity of distribution is violated" (p. 218-19); (c) the K-S test is more of an approximation to the chisquare test of independence (rather than an approximation to the t-test for significance of differences) and unlike the chisquare test requires continuous data; and (d) the Mann-Whitney U test is almost as powerful as the t-test (about 95% relative power with typical research samples - Roscoe, 1969).

Discriminant Analysis: Discriminant analysis is a popular technique in marketing research as quite often marketers are interested in analyzing a categorical dependent variable. For example, the research problem is often identifying the differences between buyers and nonbuyers of a particular product or between people who choose product A Vs people who choose product

B. It is widely used in segmentation analysis and for profile analysis.

Discriminant analysis basically involves deriving linear combinations of two or more independent variables that will discriminate best between the apriori defined groups. This is achieved by maximizing the between group variance relative to within group variance. The linear combination usually takes the following form:

$$Z = W_1X_1 + W_2X_2 + W_3X_3 + \ldots W_4X_4$$

where Z = discriminant score

W = discriminant weights

X = independent variable

Thus it is similar to regression analysis except that the dependent variable is nominal (unlike in regression where it is interval) and to ANOVA except for the reversal of the scales for the independent and dependent variables.

The basic assumptions in discriminant analysis are: (1) normality of distribution (2) unknown but equal dispersion and covariance structures for groups (3) equal costs of misqualification and (4) equal apriori group probabilities. However, as Harris

(1975) states, discriminant analysis is not very sensitive to these violations.

There are five steps in discriminant analysis: (a) variable selection (b) sample division (c) computational method (d) validation and (e) interpretation. The choice of independent variables (step a) can be done intuitively or based on previous research. The dependent variable - which has to be nominal in nature, mutually exclusive and exhaustive - is neither a naturally occuring category (e.g., male/female) or an artificially created one. Once th variables are selected, the sample is divided into two - the analysis sample to develop the discriminant function and the hold out sample to test it. This reduces the upward bias in prediction accuracy and hence reduces external validity. In cases with les sthan 100 in the total sample, this is not advisable (Harris, 1975) and the same sample is used to develop and test the discriminant function. Since the present study had a sample size of less than 100, no sample division was performed.

The third step - i.e., computational method- involves the derivation of the discriminant function. Two methods are used to derive a discriminant function - direct and stepwise. In the direct method, all the independent variables are considered concurrently

regardless of the discriminating power of each one. This is appropriate when all variables are to be included and intermediate results are of no interest. Stepwise method involves entering the variables one at a time on the basis of their discriminating power. Thus it chooses the single best discriminator first, then pairs it with each of the other independent variables and then chooses the one that improves the discriminating power of the function the most. Stepwise is useful when a large number of independent variables are there and intermediate results are needed and/or a reduction in number of independent variables is desirable. At this stage the statistical significance of the discriminant function is also calculated.

The next step in discriminant analysis is validation of the derived function. While statistical significance is important, it does not tell predictive power of the discriminant function. For this purpose, classification matrices are developed. This is based on the development of a cutting score based on the discriminant function. The cutting score is the score above which a sampole item will be classified into one group and below it into the other. If a hold out sample exists, it is used for classification purposes. If not, as in the present study, the entire sample is used.

To determine the usefulness of such a matrix, one can look at how many individuals would have been correctly classified based on chance. In cases of equal sample sizes, this would be 0.5. In others, such as in the present study, the proportional chance criteria should be used to evaluate the usefulness of the discriminant function. This takes into account the unequal group sizes. It is given below:

C proportional = p + (1-p)

In the present case this formula would lead to a proportional chance criterion of 0.54 as the sample is divided approximately into two groups of one third and two third each. ((66) + (33)). However, as there was no hold out sample, this value would have to be adjusted upwards. But even using the maximum chance cutoff of 0.66, the discriminant functions derived in this study would be considered to be useful for they all exceed 0.70.

The interpretation stage of the analysis involves looking at discriminant loadings and discriminant weights. Discriminant weights or coefficients indicate the discriminant power of the function (regardless of direction) and are similar to beta weights in a regression equation. However, they are subject to considerable instability. A small weight may also be

due to multicollinearity. Hence discriminant loadings (structure correlations) which measure simple linearr correlations between each independent variable and the discriminant function are used in their place. These can be interpreted like factor loadings and are considered more valid than discriminant weights for interpreting the discriminant power of the independent variable (Hair, J.F., Anderson, R.E. and Tathem, R.L, 1987). In this study, discriminant loadings were used to interpret the results.

Reliability Tests: Reliability refers to the consistency of scores that respondents obtain when tested at different points in time with the same instrument or with different sets of equivalent items. In a test with multiple items, reliability often refers to the internal consistency of the items. Many different measures of internal consistency of multiple item scales are available - e.g., Cronbach's alpha, split half reliability, Guttman's reliability, etc. However, the fundamental procedure in all these reliability measures is the calculation of a reliability coefficient for the multiple item scale.

The questionnaire had used multiple item measures of two variables - industry characteristics and distance between buyers and sellers. The reliability of

these multiple item scales were also tested. When the components of a scale are considered to be additive, the test assesses the reliability of a sum or weighted sum accross variables as an estimate of a case's true score. In the present study, the reliability of the scales was tested using Cronbach's alpha (Cronbach, 1951). Tables C-1 to C-4 provide details of the results of the reliability tests done on these two scales.

As can be seen from the tables, two two scales have fairly high degree of reliability. In both instances, the scale was tested with all the items initially. This was followed by the elimination of the items which did not seem to add to the reliability of the scale - i.e., items which, if deleted, would improve the scale's alpha. In the case of the industry scale, items 6 and 7 (ind66 and ind77) were the two items chosen to be eliminated based on their effects on the scale's alpha score. In the case of the distance scale, the items that were dropped were 4 and 6 (distanc4 and distanc6). The tables provide the reliability analyses with and without these items.

In the case of the industry scale, the removal of the two items did not make much of a difference to the scale. The standardized alpha score only went up by .02 (from .78 to .80). Hence the entire scale was

used in the analyses. In the cse of the distance scale, however, the difference in the reliability sccores was considerable - with the elimination of the two items, the reliability of the scale went up by .09 (from .69 to .78). Hence, when a single sum score is to be used for distance, it would appear that eliminating items 4 and 6 would improve the analyses.

Table C-1

Reliability Analysis of Industry Scale*

Item-Total Statistics

Item	Scale Mean if item deleted	Scale Variance if item deleted	Corrected item-total correlation	Alpha if item deleted
IND11	13.558	14.628	.4875	.7546
IND22	13.250	16.491	.5868	.7394
IND33	13.357	14.979	.6055	.7267
IND44	14.000	13.852	.5882	.7295
IND55	13.536	14.628	.5562	.7561
IND66	14.464	17.295	.4849	.7561
IND77	14.071	17.773	.2699	.7883

Statistics for Scale

Mean = 16.0357 Variance = 20.5542 Std.Dev. = 45337 N = 28

Reliability Coefficients (with 7 items)

Alpha = .7765 Standardized item Alpha = .7846

* with all industry scale items.

Table C-2

Reliability Analysis of Industry Scale*

Item Total Statistics

Item	Scale Mean if item deleted	Scale Variance if item deleted	Corrected item-total correlation	Alpha if item deleted
IND11	10.000	10.444	.4291	.8001
IND22	9.714	11.619	.6077	.7508
IND33	9.821	10.300	.6266	.7308
IND44	10.464	9.221	.6248	.7291
IND55	10.000	9.703	.6238	.7288

Statistics for Scale

Mean = 12.500 Variance = 15.222 Std.Dev. = 3.9016 N =28

Reliability Coefficients

Alpha = .7884 Standardized item alpha = .8026

* with IND66 and IND77 excluded from the analysis.

Table C-3

Reliability of Distance Scale*

Item-Total Statistics

Item	Scale Mean if item deleted	Scale Variance if item deleted	Corrected item-total correlation	Alpha if item deleted
DISTANC1	25.974	18.513	.5298	.6172
DISTANC2	26.553	16.632	.4725	.6259
DISTANC3	27.2895	17.509	.4825	.6225
DISTANC4	25.895	22.151	.1132	.6983
DISTANC5	27.632	21.320	.1860	.6871
DISTANC6	25.974	22.405	.0482	.7167
DISTANC7	27.237	21.051	.3213	.6614
FORMAL	26.921	19.588	.5300	.6264
OVRCLOS	26.947	18.700	.6828	.6006

Statistics for Scale

Mean = 30.526 Variance = 24.0512 Std. Dev. = 4.9042 N = 38

Reliability Coefficients

Alpha = .6802 Standardized item Alpha = .6946

With all 9 items

Table C-4

Reliability of Distance Scale*

Item-Total Statistics

Item	Scale Mean if item deleted	Scale Variance if item deleted	Corrected item-total correlation	Alpha if item deleted
DISTANC1	17.737	16.037	.5470	.7161
DISTANC2	18.316	14.438	.4643	.7451
DISTANC3	19.053	14.700	.5429	.7165
DISTANC5	19.395	17.705	.3180	.7626
DISTANC7	19.000	18.649	.3049	.7612
FORMAL	18.684	16.762	.5988	.7130
OVRCLOS	18.711	16.157	.7173	.6933

Statistics for Scale

Mean = 21.816 Variance = 21.3976 Std.Dev. 4.6258 N = 38

Reliability Coefficients

Alpha = .7599 Standardized item Alpha = .7770

* With DISTANC4 and DISTANC6 excluded.